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**ECONOMIC COMPETITIVENESS AND  
GOVERNANCE IN AREAS OF URBAN  
DEPRIVATION: THE CASE OF TWO CITY  
GROWTH STRATEGIES IN LONDON**

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## **Abstract**

In an urban context characterised by concentrated and persistent deprivation there has been a history of policy intervention albeit with limited impact. Michael Porter's US inspired City Growth Strategy (CGS) initiative presented an alternative approach to urban economic regeneration within the UK characterised by a focus on the competitive advantages of deprived urban areas and a leading role for the private sector within the policy making process.

This thesis investigates the implementation of the City Growth Strategy in two areas of London (Haringey and the City Fringe) to explore wider issues of economic competitiveness and governance in relation to deprived urban areas. Drawing upon a range of institutional, regulationist and policy networks theoretical perspectives, this research adopted a case study qualitative approach based on a number of face-to-face interviews. An evaluation process based on implementation theory was used to unpack the differences between theory, policy and practice with an emphasis on uncovering policy-making *processes*.

The study found that the application of Porter's vision in the UK context displays a number of weaknesses rooted both in its conceptualisation of the problems of deprived urban areas and the nature of its implementation. The emphasis upon the competitive advantages of deprived urban areas largely failed to translate into effective interventions due to problems of operationalising cluster policy locally, a lack of appreciation of the social dimension to urban problems and the particularities of the UK context. Private sector engagement has remained weak, although with notable exceptions in certain sectors and contexts, constrained by the limited local interaction with the public sector and wider issues related to the continued dominance of the central state in setting and funding the policy agenda. Implications from these findings are discussed including the need to think more precisely about different types and styles of private sector involvement.

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## **List of acronyms**

BMEB (Black and Minority Ethnic owned Business)  
CAG (Cluster Action Group)  
CAT (Cluster Action Team)  
CC (City Challenge)  
CFP (City Fringe Partnership)  
CGS (City Growth Strategy)  
DBERR (Department for Business, Enterprise and Regulatory Reforms)  
DCLG (Department for Communities and Local Government)  
DTI (Department of Trade and Industry – now DBERR)  
EDS (Economic Development Strategy)  
ERDF (European and Regional Development Fund)  
EZ (Enterprise Zone)  
HGJCP (Hatton Garden Jewellery Centre Partnership)  
ICIC (Initiative for Competitive Inner Cities)  
JSIP (Jewellery Sector Investment Plan)  
LDA (London Development Agency)  
LEGI (Local Enterprise Growth Initiative)  
LSC (Labour and Skills Council)  
LSP (Local Strategic Partnership)  
NDC (New Deal for Communities)  
NRF (Neighbourhood Renewal Fund)  
PPCAG (Printing and Publishing Cluster Action Group)  
ODPM (Office of the Deputy Prime Minister – now DCLG)  
PPSIP (Printing and Publishing Sector Investment Plan)  
RDA (Regional Development Agency)  
SBS (Small Business Services)  
SME (Small and Medium sized Enterprise)  
SRB (Single Regeneration Budget)  
TEC (Training and Enterprise Council)  
UDC (Urban Development Corporation)

### **List of anonymised participants**

Bus H: Business owner/manager Haringey

Camden C: Camden Council official

CFP: City Fringe Partnership official

Con H: Consultant Haringey

Con Nat: Consultant Nationally

Deptford CGS: Deptford/New Cross CGS official

DOCF: Delivery organisation official City Fringe

DOH: Delivery organisation official Haringey

HC off: Haringey Council official

Heathrow CGS: Heathrow CGS official

Jew Bus: Business owner/manager Jewellery

LDA: London Development Agency official

PP Bus: Business owner/manager Printing and Publishing

Public CF: Public sector official City Fringe

Public H: Public sector official Haringey

SBS: Small Business Service official

## **1 INTRODUCTION**

### **1.1 Background and rationale to the study**

The interest in the topic of uneven economic development in urban areas originated from my previous experience as a researcher at Middlesex University. I was then fortunate enough to be awarded a 'Case Studentship' in collaboration with the London Development Agency (LDA). The latter was explicitly interested in examining the City Growth Strategies in London. This provided me with the opportunity to undertake a study to improve both my conceptual and practical knowledge of the theories and policies in the field of local economic development as well as the opportunity to understand more about the reasons underpinning the stark contrasts between rich and poor in the unique context of London. In addition, undertaking a study of this kind presented the interesting challenge of merging the theoretical rigour of an academic investigation with the LDA's requests for a range of more practical policy recommendations. Thus, the thesis has an important focus on the development of policy making and, in particular, the translation of the conceptual notions underpinning the CGS into policy making in the UK. Both these aspects fitted well with my previous work experience as a researcher at Middlesex University where I was involved in interesting and stimulating work, particularly in the field of small firm research in the context of urban and rural deprivation.

The starting point of the thesis is the fact that although the UK economy has experienced sustained economic growth over the last fifteen years, economic success has not prevented certain areas from experiencing high unemployment and growing income polarisation as well as spatially concentrated disadvantage. In the UK, concentrated deprivation is a key characteristic of urban areas. Almost all the poorest 5% of wards are in urban areas (Power, 2001). Indicators such as unemployment, crime, housing, and education score consistently worse in these deprived urban areas (DETR, 2000; Gripaio, 2002; Power, 2001); a picture confirmed by a government report (SEU, 2004) which examined the level of deprivation at a geographical scale below that of ward level (i.e. super output areas<sup>1</sup>). This feature is particularly notable within the high growth London

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<sup>1</sup> Super Output Areas area statistics in England and Wales to overcome the problems of using ward level data. SOAs are delimited in three layers: lower (average population size 1,800), middle

economy. Urban areas of London account for 10% of the most deprived areas in England with particular concentrations in Tower Hamlets, Newham and Hackney. In addition, deprived areas are often located next to very economically dynamic areas. A stark extreme is represented by the Tower Hamlets ward of St. Katherine's which contains the most and least deprived enumeration districts in the country (CFP, 2003). London presents particular characteristics in relation to other areas of the country, in terms of the increased polarization of wages for skilled and unskilled jobs. The number of low skill service sector jobs in London has increased but it has not experienced a parallel growth in wages (Martin and Morrison, 2003). On the other hand, people in skilled occupations saw their income increase substantially since the 1980s, causing polarization of incomes which significantly influences, amongst other things, the price of properties, which affects Londoners of all income levels (Sassen, 1991).

In the last forty years, a wide range of area based policies have attempted to tackle the issue of urban deprivation, starting with the publication of the Plowden report in 1967 which was one of the first attempts at spatial targeting within urban areas (Ramsden et al, 2001). From the early 1980s, there was a significant shift in the direction of urban policies. Fundamentally, this was an attempt to recast social problems of deprivation as economic ones. Policy changed to emphasise a shift from an approach based on the *redistribution of wealth* involving the local provision of welfare and services by government agencies to one based on the *creation of wealth* focussing on the ability of cities to improve the economic dynamism of urban areas (Hubbard, 1996).

This shift reflected wider changes in economic structure and political orientation in the UK. While the objective of urban policy during the 1960s and 1970s was to redistribute the growing wealth produced by the UK economy, the economic crisis of the 1980s characterised by high unemployment and increasing social unrest emphasised the need for a different approach. In the same period, changes in the political landscape with the election victory of the Conservative Party in 1979 led to

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(average population size 7,200) and upper. A similar process also took place within Scotland and Northern Ireland but with different delimitations in terms of population size (North et al, 2007).

the adoption of a neo-liberal agenda that prioritised a free market ideology. These two changes led to the introduction of a new range of policies based on the rationale that wealth needed to be created before it could be redistributed. In addition, the emphasis on free markets led to a gradual introduction of private sector 'values' within the running of the state and an increased emphasis on the role of the private sector at different levels of policy making.

More recent approaches to urban policy introduced by New Labour from 1997 onwards have, to a large extent, taken forward this policy agenda by emphasising the stimulation of competitiveness and entrepreneurship. However, in line with their political orientation, they have also paid greater attention towards social and community cohesion. A number of programmes have been put forward as part of this agenda for deprived areas ranging from more holistic approaches such as the New Deal for Communities encompassing a variety of issues such as health, housing, crime, and employment (CRESR, 2005), to others which specifically support the development of entrepreneurship in disadvantaged areas such as Tax Credit for disadvantaged areas, Community Development Financial Institutions, the launch of the Inner City 100 Index, the Phoenix Fund and the City Growth Strategies (CGS) as well as more recently the Local Enterprise Growth Initiative (HM Treasury, 2005).

However, a considerable number of scholars have criticised the effect of these policies (Wallace, 2001). A review of urban policies by Gripaos (2002: 570) concluded that 'overall, policies have done little more than stop the situation from getting worse'. Most fundamentally, there are concerns as to whether local residents of deprived areas benefit, particularly in terms of the creation of job opportunities. Past policy experience (e.g. Deakin and Edwards, 1993; Imrie and Thomas, 1999) has shown that creation of wealth in deprived urban areas is not easily translated into benefits for local residents, thus raising questions about the effectiveness of spatial policies targeting deprived areas. This poses important questions as to whether the creation of wealth can be redistributed to benefit the locality and provides an important rationale for this study. This attempts to assess the conditions under which 'trickle down' is likely to occur by examining past

policy approaches and discussing them in the light of the findings from this study that relates to more recent New Labour policies.

The effective design and implementation of recent enterprise policies focussing on the stimulation of indigenous potential has a strong spatial dimension which has to be dealt with at the local level (Porter, 1990). This has required changes in governance arrangements between different partners (public, private, voluntary and community sectors) operating at different spatial levels. After the domination of local authority led economic development initiatives up to the end of the 1970s emphasising a direct provision of services from the local authority, the 1980s saw a change with increasing control of economic development policies by central government and greater emphasis on the role of the private sector in policy making (Raco, 1997; Gamble, 2000).

However, the role of the state evolved further in the early 1990s with new governance arrangements based on partnership between the local public sector and a range of stakeholders including the private, voluntary and community sectors (Davoudi and Healey, 1996). The role of local government was increasingly seen as that of a 'facilitator' of economic development in partnership with other local stakeholders. New Labour has continued the trend towards such governance arrangements, extending further the range of partnerships and confirming a greater role for the private sector. However, a number of scholars have criticised the extent and nature of a shift towards more complex governance arrangements supported by New Labour (Imrie and Raco, 1999; Davies, 2002) as well as the effective involvement of the private sector in policy decision-making (Harding et al, 2000). In particular, while it is clear that effective local economic development requires the involvement and engagement of the private sector, there remains limited understanding of how business engagement can lead to improved competitiveness that benefits deprived areas and more effective governance in policy practice. This thesis seeks to develop understanding on these issues through its analysis of one particular recent policy initiative, the CGS.

## **1.2 The City Growth Strategies: an example of private sector led regeneration**

In 2000, the government announced its intention to develop City Growth Strategies (CGS) in some of the most deprived urban areas in England. The main mission of the CGS was set out as follows (SBS, 2001: 3):

‘The CGS is intended to encourage towns and cities to develop and implement inner city strategies which put enterprise and business at the heart of regeneration, focusing on the competitive economic advantages of inner city areas rather than the social disadvantages’.

A number of areas across the country were selected to be part of the CGS which was structured in two phases. Phase one pilot areas included St Helens, Nottingham, Plymouth and four areas in London namely Haringey, City Fringe, South London Central, and Heathrow. Phase two covered seven new cities - Derby, Leeds, Leicester, Liverpool, Luton, Manchester, Portsmouth - and three new areas in London including Deptford/New Cross, Heart of South London and Western Arc which covers Park Royal, Wembley, and White City.

The choice to examine the CGS derives from its focus on both themes of improving competitiveness, via the stimulation of entrepreneurial activity, and governance in the context of urban deprivation. The CGS shares an important number of elements in line with current government policy aimed at enhancing competitiveness and is an interesting policy model to study for a number of reasons.

Firstly, the CGS is an attempt to translate into action the intention of the government to put business and enterprise at the heart of regeneration. Most of the principles underpinning the CGS in the UK originate from the work of the Initiative for Competitive Inner Cities (ICIC) established in 1994 by Michael Porter<sup>1</sup> to further his vision for US inner city areas. The CGS was then transferred to the UK via the Treasury and is managed by the Small Business Services (SBS)<sup>2</sup>.

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<sup>1</sup> Michael Eugene Porter is Professor at Harvard University and comes from a business management background. His 1990 work on “The Competitive Advantages of Nations” has been applauded all over the world.

<sup>2</sup> The SBS is accountable to the Department of Trade and Industry (DTI)

Porter (1995) argued that the inner city needed a new model focussing on the creation of wealth as opposed to an old model based on the redistribution of wealth. Thus, the CGS, in line with private sector led approaches mentioned above, is an economic strategy rather than a social policy aimed at tackling issues of health, housing, education etc. The conceptual and empirical basis that underpins the creation of the CGS provides, from an academic perspective, a further rationale for investigation.

Secondly, this model is based on the rationale that urban areas have competitive advantages that can be exploited to design and implement an appropriate economic development strategy. This has been recognised as an important innovative element in relation to the past policy environment where urban policies looked only at the disadvantages of inner city areas. Thus, it represents a departure from a previous vision of inner city areas and represents a possible alternative that warrants empirical examination.

Thirdly, the CGS is based upon the rationale that sources of competitiveness have an important local dimension. The Porterian notion of 'cluster' focuses on the stimulation of indigenous entrepreneurial capacity recognising that growth and prosperity have important spatial connotations. Although this notion has been criticised (Martin and Sunley, 2003), it has been embraced by policy makers all over the world in both developed and less developed economies. The CGS therefore offers the opportunity to assess how the notion of economic cluster, and more specifically Porter's model of clusters, has been translated into practice in disadvantaged urban areas.

Fourthly, the CGS is consistent with the general view of the current New Labour that the effective design and implementation of economic development policies needs to involve the private sector more actively. In this respect, the CGS represents an attempt that goes even further. Thus, the development of strategies within the CGS was to be led by the private sector (SBS, 2001), with the public sector covering the role of facilitator or enabler rather than an institution setting the agenda. This was to ensure business needs were prioritised since the development of an effective strategy depends upon the private sector's willingness



to carry it out. This echoes the involvement of the private sector in economic development in the 1980s and, in the context of this study, raises important empirical questions about the possibilities and constraints of private sector led regeneration, particularly the extent to which it can contribute effectively to policy making at the strategic level (Wood et al, 1998; Wood, 2004). This poses questions about the motivations and 'agendas' of private sector individuals involved and whether these agendas are coherent or merely represent sectarian interests (Raco, 2003; Valler et al, 2004). There is an assumption here that a 'coherent' private sector agenda would help the private sector to communicate their interests and contribute more effectively to policy making in urban areas. Therefore, the CGS provides an important initiative to examine the attitude of the private sector in a context of greater private sector involvement.

Fifthly, the CGS provides a platform for the co-ordination of different levels of governance (local, sub-regional and regional) as well as governance at the local level between different agencies (e.g. local authorities, strategic partnership, NDC etc) that have a stake in the local economic development process. Thus, for instance the LDA (London Development Agency) in London has a crucial role to play in terms of managing the contract awarded by the SBS. The LDA has been responsible for liaising with partners in the selected pilot areas in order to prepare the strategies to be submitted for funding. The managing organisations are accountable to regional development agencies for the outputs and outcomes of the CGS.

Finally, as the CGS has its roots in the US, its analysis provides evidence of the strengths and weaknesses of transferring policies across countries. As many policies in a variety of fields have been transferred from the US to the UK in recent years (e.g. child support agency, Child Tax credit), the evidence provided by the investigation of the CGS has general implications for policy transfer in other fields.

### **1.3 Aims of the study, research questions and outline of the methodology**

The aim of the study is to investigate the effectiveness of private sector led approaches as a model for the regeneration of deprived urban areas. In terms of competitiveness, the examination of a private sector led approach is important in order to:

- I. Assess the merit of alternative ways of alleviating the deprivation that characterises some urban areas. In this sense, it contributes to improving the design and implementation of local economic development policies in the UK.
- II. Further our understanding of how conceptual notions of competitiveness have been translated into policy making in deprived urban areas. This includes, for instance, how the concept of cluster and, more in general, Porter's model for the economic development of inner city areas has been applied in practice.

In terms of governance, the examination of a private sector led approach is important to:

- III. Improve understanding of the elements that govern the relationship between public and private sectors in a context of greater private sector involvement in regeneration including the reasons for business involvement in economic development.
- IV. Develop a more general understanding of the process of governance with regard to the relationship between government agencies operating at the local level, and regional government.

In terms of the connection between competitiveness and governance, an examination of a private sector led approach provides further evidence for:

- V. The extent to which greater private sector involvement and engagement can improve the design and implementation of initiatives on the ground and result in growth and prosperity for disadvantaged urban areas

Following on from these aims, the research questions the study seeks to address are as follows:

**Can private sector led approaches provide an effective model for the economic regeneration of deprived urban areas within the UK?**

In order to answer the main question, three main research sub-questions need to be addressed.

- I. Does the Porterian model of urban competitiveness represent a basis for effective regeneration of deprived urban areas within the UK?
- II. To what extent can effective private sector engagement be achieved under current governance arrangements?
- III. In terms of policy practice, to what extent can the priorities of the public and private sectors be combined to maximise economic development outcomes?

As the focus of the study is the evaluation of the effectiveness of a private sector led regeneration policy, a methodology based on policy analysis has been chosen. A review of different approaches to evaluation led to the identification of implementation theory as a method to be employed in the study (Barrett and Fudge, 1981; Schofield and Sausman, 2004) as it focuses on the processes by which policy concepts are translated into action. Based on the literature review, policy context and the pilot study, a key starting point was that public and private sector actors have different conceptual systems and discourses and one of the aims of this study is to uncover these. From this perspective, the opinions of actors towards key concepts (e.g. clusters, deprivation etc) are critical to the policy implementation process. Thus, this study is not primarily concerned with assessing the impact of the CGS in terms of jobs created, businesses supported and other indicators but instead focuses on uncovering the '*causal mechanisms and processes*' (Turok, 1989; p.587) that explain the translation of Porter's model into policy practice and

the interaction between private and public sectors within a partnership arrangement.

The author's ontological perspective is based on the view that each individual constructs his own mechanisms and views of reality and these influence their action. In this context, a qualitative method based on in-depth face-to-face interviews was the most appropriate as it was sensitive to different views of social reality. In particular, a qualitative enquiry enabled the interviewer to probe the subjects of investigation and therefore provide a more detailed account of the different views of private and public sector in relation to the two themes of competitiveness and governance.

Two CGS pilot areas (i.e. Haringey and the City Fringe) were chosen as the subjects of empirical investigation (see chapter four for a full discussion). A case study approach was the most appropriate in order to analyse the mechanisms and processes operating in a specific context. Two case study areas were selected to provide insights into contrasting experiences. While the City Fringe presented a relatively well established model of private sector engagement, Haringey CGS was characterised by a history of suspicion between private and public sectors.

Each CGS area targeted a number of sectors/clusters for policy intervention. The study analysed the development of all the sectors targeted as part of the Haringey CGS (i.e. Clothing, ICT, Food and Drink, and the Creative Industries), while it concentrated on two sectors/clusters in the City Fringe CGS (i.e. Jewellery, Printing and Publishing) out of a total of nine.

#### **1.4 Key concepts employed in the study**

Central to the argument of the thesis are a number of key concepts, namely competitiveness, partnership, deprivation and private sector led regeneration. This section clarifies the use of such concepts in the thesis.

*Competitiveness:* The notion of competitiveness is used in the literature in two main ways: firstly, to describe competitiveness between firms and, secondly, in

relation to localities rather than businesses. There is considerable debate around the definition of competitiveness with the regards to localities. The key elements of this debate are examined in the literature review (sec. 2.3.1). In this thesis, the term competitiveness is used primarily in relation to the work of Michael Porter's determinants of competitiveness (e.g. location, demand, human resources, and clusters) for deprived urban areas (see sec.2.3.3).

*Partnership:* Partnership is normally used to describe the relationship between different stakeholders (i.e. public, private, and third sector as well as community groups) involved in policy making and implementation and/or the relationship between local public agencies and central government. As private sector led approaches and the CGS in particular are characterised by strong private sector involvement, in the thesis the notion of partnership primarily focuses upon the relationship between the private and public sector.

*Deprivation:* the measure commonly used in most analysis concerning deprivation in Britain is the Index of Multiple Deprivation (IMD) which expresses a relative concept of deprivation and combines different domains of deprivation including health, employment, income, education, skills and training, living environment, barriers to housing and services. The balance of these domains provides an overall indicator that is often used to target spatial policy intervention. However, in line with the economic focus of private sector led approaches and the CGS in particular, deprivation will be discussed mainly in terms of economic deprivation.

The IMD previously provided statistical data about deprivation at the ward level, which created a problem of accuracy since deprivation in London is often a neighbourhood phenomenon. In 2004, during the course of the study, a new mean of reporting small area statistics (i.e. Super Output Areas) was introduced in England and Wales in order to overcome the problems of using ward level data. However, as the study commenced before this, ward level data has been used as the principal basis for statistical analysis throughout this study. In addition, Super Output Areas level data contained limited economic related statistical information which led the research to rely on ward level information to discuss the economic and social profile of the two case study areas.

*Private sector led regeneration* (or business led regeneration): private sector led regeneration in the broadest sense can be interpreted as regeneration by means of business and enterprise growth, but the term can have a governance connotation when the private sector is leading on policy design and/or implementation within a partnership context. In the thesis, this has been clarified each time one definition or the other has been used. A related problem is the use of the term 'private sector' to include both individual businesses (e.g. owner/managers) and 'business representative organisations' such as the chamber of commerce. In the thesis, the notion of the 'private sector' relates primarily to individual businesses and where it relates to business representative organisations, this is made explicit.

### **1.5 Structure of the thesis**

The study is grouped in five parts. Part one comprises a review of the theoretical and policy context in relation to competitiveness and governance (chapter two and three) which sets the theoretical basis and provides the context for the discussion of the remaining chapters. Part two (chapter four) examines the methodological approach adopted to undertake the study, and discusses the strengths and weaknesses of the investigation as well as problems encountered during the fieldwork. Part three (chapter five and six) focuses on the analysis of the two themes of competitiveness and governance in the two case study areas. The same structure is maintained in part four of the study (chapter seven and eight) when the analysis of the data collected through the fieldwork is combined with other relevant evidence (secondary sources) gathered throughout the study. The fifth part (chapter nine) concludes the thesis and discusses the findings in relation to the initial research questions.

Chapter two examines the conceptual debates around the theme of competitiveness focussing particularly on critiquing Porter's general model of competitiveness and his analysis of inner city areas. This is followed by an examination of the policy environment in deprived urban areas which identifies and assesses the merit of different policy initiatives to tackling issues of urban deprivation and places the CGS within this context.

Chapter three is divided in two main parts. The first covers debates related to the theme of governance. Conceptual approaches are examined in order to provide different understandings of the role of the state and the growing role played by the private sector within the design and implementation of economic development policies for deprived urban areas. The second part focuses on highlighting the key policy changes in deprived urban areas in relation to role of the state and the private sector and places the CGS within this context.

Chapter four provides a description and justification for the methodology and methods adopted in this study. The methodology follows an evaluation approach based on implementation theory that focuses on how policy concepts are translated into action. Emphasis is placed on the different conceptual systems and discourses of private and public sector actors. Two CGS case studies (Haringey and the City Fringe) provide a comparison of different experiences of public/private sector collaboration and local economic development strategies. In addition, the methodology chapter considers some of the issues experienced during fieldwork and difficulties in assessing the impact of the CGS.

Chapter five describes the structures and roles of the partnerships within the two case study areas. The chapter maps the structure and development of the CGS, the role of the CGS partnerships with particular focus on the private sector, and the role of funding and co-ordination between the different actors/agencies involved in the development process. This provides the basis for the analytical discussion that follows in chapter eight in relation to the theme of governance.

Chapter six describes how the strategies and initiatives designed, and in some cases implemented respond to the competitive advantages and disadvantages of the two case study areas. An overview of the disadvantages and advantages is presented followed by a description of the strategies and initiatives designed and implemented.

Following on from this, chapter seven examines the extent to which the CGS in the two areas has been coherent with its stated aims. Attention is paid to drawing out

the similarities and differences between the two case study areas in relation to the notion of cluster, the trajectory of strategies, approaches to development, the impact on local job creation opportunities, and the issues of spatial scale and time-scale.

Chapter eight analyses the issue of governance highlighted previously (chapter five). The discussion is structured around two main themes. Firstly, the relationship between public and private sector and, in particular private sector involvement and engagement is discussed to highlight the differences between the two case areas. Secondly, the problems of co-ordination and resources that have arisen from the conflictual relationships between public sector organisations at local level, and between CGS managing organisations and regional government are examined.

Chapter nine summarises the main results, discusses the findings in relation to the main questions of the study. It draws together insights from both the empirical study and the review of other work to put forward a set of conceptual developments as well as some policy recommendations that could be useful for economic development locally and regionally (i.e. LDA).



## **2 COMPETITIVENESS IN THE URBAN CONTEXT: THEORETICAL DEBATES AND IMPLICATIONS FOR POLICY**

### **2.1 Introduction**

Since the early 1970s, most countries have experienced a process of economic and political re-structuring fuelled by growing internationalisation of economic activities and rapid technological change. Scholars such as Castells have argued that new information technologies are creating the conditions in which any economic activity can be located anywhere in the world and can be moved with ease, thus the 'space of places' has been replaced by a 'space of flows' (Dicken, 2003). Yet, a growing number of scholars have suggested that although globalisation and technological change have led to increasing competition, the sources of competitiveness are still rooted in the locality. Thus, there are some advantages, economic and/or otherwise, that make some places 'sticky in a slippery space' (Markusen, 1996). A number of successful regional economies ranging from high tech activities in Silicon Valley, the entertainment industry in Hollywood, the financial centres such as the City of London as well as manufacturing activities in the Third Italy are often used to demonstrate that certain regions and cities can be extremely competitive, despite increasing global competition. The challenge for scholars is to explain the reasons underpinning such success, which is based on the notion that space matters in determining the location and development of economic processes. Thus, growing attention has been placed by a variety of traditions on explaining what factors make certain areas more successful than others.

It is in this broad environment that the notion of competitiveness and its relation to space has received increasing attention. Different theoretical traditions can be identified in discussing the notion of competitiveness. The neo-classical economics perspective places a strong emphasis on economic variables in explaining sources of competitiveness and the strong role played by markets and firms. Other theoretical traditions such as institutionalist and political economy approaches offer a rather different conceptualisation of change. The institutionalist approach focuses on social factors explaining the growing prosperity of some regions with

particular attention to the study of the relationship between institutions (including businesses). In contrast, political economy approaches focus on a critical understanding of capitalism, focussing attention on the relations between labour, capital and the state within the development of a particular phase of capitalist development.

Against these different conceptual approaches to the understanding of the sources of competitiveness, the work of Porter can be considered a major influence that has stimulated both conceptual and policy debate (Martin and Sunley, 2003). Furthermore, the focus on Porter is particularly relevant considering that his vision for inner city areas and the related policy outcome is the object of this study.

In light of these points, the first part of this chapter discusses the key differences between theoretical approaches and the contribution of Porter in terms of the relationship between competitiveness and spatial development. The model of region and city competition put forward by Porter is strongly driven by an economic growth agenda that takes little account of the distribution of the benefits of such growth. In terms of deprived urban areas, there is an assumption that economic growth 'trickles down' to benefit the local population in terms of the creation of new job opportunities, while this is not necessarily the case. The second part of the chapter aims to discuss the changes in policy focus from the early 1980s in order to provide a context for the analysis of the CGS later in the thesis.

## **2.2 Competitiveness in cities and regions: theoretical debates**

### **2.2.1 Sources of competitiveness in regions and cities**

A variety of approaches from different theoretical traditions have attempted to explain how localities contribute to growth and prosperity. In an effort to locate Porter's cluster approach, two rather different models are discussed including 'pure agglomeration' and 'social networks' based on the work by Gordon and McCann (2000) in order to place Porter within these (table 2.1). The 'pure agglomeration' model is based on neo-classical economic tradition which dates back to the work of Marshall (1919), while the 'social networks' model is more sociologically based, particularly drawing upon the work of Granovetter.

The 'pure agglomeration' model comprises a number of key features including an emphasis on perfect competition and a focus on an economic analysis of the firm. In order to explain the reasons behind agglomeration as a source of competitiveness, the 'pure agglomeration' model stipulates that firms may be attracted or willing to continue to be located in an area because of the availability of external economies that can be internal to an industry (such as certain types of inputs or specific training programmes) or available to firms irrespective of their sector (such as the presence of a particular transport and ICT infrastructure, demand conditions, and the presence of a pool of specialised labour). This model particularly applies to urban areas and:

'presumes no forms of co-operation between actors beyond what is in their [firms] individual interest in an atomised and competitive environment' (Gordon and McCann, 2000: p. 517).

In such an environment, firms have no loyalty to each other and are driven by short-term self-interest. Flexibility and competitiveness are achieved through the presence of a large number of firms that maximise the chance to find the right buyer/supplier, and firms are atomistic in the sense that they have no market power. Thus, the key rationale for firms to be located in a particular area is to minimise their costs. Competitiveness is therefore mainly based on economic characteristics of the external business environment and is conceptually based on the profit seeking maximisation of individual firms operating in a highly competitive system.

While this theoretical tradition focuses on the locational decision of a firm regardless of the presence of other firms, other traditions, such as the social networks model, although recognising the importance of agglomeration economies, focus on the linkages between companies in a particular area as the key reason for the success of regional economies. The rationale for agglomeration in this case is not the exploitation of particular urbanisation economies but the need to minimise transaction costs in accessing a particular supply chain (Simmie, 2004). Linkages between firms may be embedded in the socio cultural environment as in the notion of 'institutional thickness' (Amin and Thrift, 1995). The concept of 'institutional

thickness' can best be described as a set of institutions (including firms, financial institutions, development agencies and others) that have a common agenda based on shared forms of socio cultural identification. Socio cultural shared norms are embedded in a particular area. They are characteristics specific to that context and are difficult to replicate elsewhere. As a result, interactions become embedded in the local context and this embeddedness guarantees that regions and localities can 'hold down the global' (Amin and Thrift, 1995). In conceptualising the firm, this approach is in many ways very different from the traditional agglomeration model as relationships between firms are based on loyalty, non-opportunism, and trust which is facilitated by shared norms, traditions and a common set of rules (Amin, 1998).

These social elements can therefore be considered the basis of the competitiveness of localities and are based on extensive collaboration and the pursuit of long-term self-interest where collaboration ultimately generates profit for all the firms involved. However, this is not just the fruit of the relationship between firms, but part of wider socio-economic environment where the interaction between different institutions (including crucially businesses), eventually leads to increasing competitiveness for the area. These conclusions were particularly drawn from the study of mainly non-urban regional economies such as the Emilia-Romagna in Italy (McCann and Sheppard, 2003). Furthermore, as discussed below, an emphasis upon the socio-economic environment takes into account of the need to balance competitiveness with social exclusion via the interaction between firms, state and trade unions.

**Table 2-1: Conceptual positions in relation to clusters**

	<b>Pure agglomeration</b>	<b>Social network model</b>	<b>Porter</b>
<b>Theoretical traditions</b>	Neo-classical economics	Sociology, Political economy, socio-economics, evolutionary economics, institutional economics	Business and management
<b>Unit of analysis</b>	Firm is the key focus of analysis.	Interaction between firms, government and trade unions resulting in finding a common strategy and related solutions.	Firm is the key focus of analysis.
<b>Competitiveness due to</b>	External economies: both internal to the industry (e.g. specific sector training infrastructure) and urbanisation economies (e.g. Local pool of specialised labour, land costs and availability, easy access to transport infrastructure)	External economies but mainly internal to industry (strong reliance on networking between firms)  Linkages (trust, etc) between institutions including firms. Mainly about the co-location of businesses along the supply chain	External economies: both internal to the industry (e.g. specific sector training infrastructure) and urbanisation economies (e.g. Local pool of specialised labour, land costs and availability, easy access to transport infrastructure)  But also, collaboration between firms especially through the supply chain vertically.  Personal relationships, face to face communication, networks of individuals and institutions
<b>Relative importance of linkages</b>	Agglomeration economies are predominant over linkages between firms	Local linkages are predominant over agglomeration economies	Agglomeration factors and linkages are both present
<b>Firm behaviour</b>	Unstable, fragmented, agglomeration in order to cope with uncertainty, short term	Loyalty, joint lobbying, joint ventures, non-opportunistic, trust, long-term	Porter emphasises the importance of 'trust' and long-term relationships in some cases and the short-term opportunistic behaviour in others
<b>Spatial level</b>	Urban clusters	Non-urban and regional clusters	Clusters occur at the national, regional, state and metropolitan level, boundaries of clusters need to be assessed case by case according to strength of spillovers
<b>Policy orientation</b>	Building and up-grading infrastructure, training  Limited role for the state (i.e. tackling traditional market failures)	Macro-economic policies are necessary but not sufficient and focus on networking between firms, training at the regional/local level are a key feature of this model  Redistributive role for the government in order to secure fair allocation of benefits from growth	Macro-economic policies are necessary but not sufficient. Removing obstacles to the working of the market, training, advanced infrastructure (tech parks etc) but at a cluster level rather than industry level  Recognition of urbanisation economies, policies to improve the transport infrastructure and the availability of land are important  Limited role for the state

Source: Adapted and expanded from McCann and Sheppard (2003)

The work of Porter originates from a business and management tradition and focuses clearly around the firm as a unit of analysis. One of his main concerns is to develop a framework for understanding competition that bridges the gap between theory and practice (Porter, 1998) and is grounded in microeconomic theory (Martin and Sunley, 2003). His main conceptual work focuses around the identification of the sources of locational competitive advantage which are rooted

in the interrelation between four elements (factor input conditions, the context for firm strategy and rivalry, the presence of local related and supporting industries, and sophisticated demand conditions); which are famously represented in a diamond model (Porter, 2000). Factor input conditions include a range of natural, human, physical, and capital resources and the presence of administrative, information, scientific, and technological infrastructure. The context for firm strategy and rivalry include a local context that encourages investment and strong competition between firms. A further component of the diamond includes the presence of capable, locally based suppliers, and competitive related industries. Lastly, the presence of sophisticated and demanding local customers encourages companies towards maintaining continuous product and process innovation.

Porter adds to the diamond model the spatial element of concentration by arguing that clustering of firms in a particular area facilitates the work of the 'diamond' and therefore promotes competitiveness. He defines a cluster as a:

'geographic concentration of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions in a particular field that compete but also co-operate' (Porter, 2000: 15).

This points to the fact that a cluster is a concentration of *interconnected* companies, rather than just a concentration of companies in a particular area that do not have any relationship with each other. This places an important emphasis on linkages between companies that are driven by economic reasons based on the minimisation of transaction costs. Such linkages are enhanced by:

'personal relationships, face to face communication, and networks of individuals and institutions' (Porter, 2000: 21).

The work on the competitive advantages of inner city areas (Porter, 1995; 1997) tends to merge the cluster concept with the notion that inner city areas have particular competitive advantages that can be considered as traditional urbanisation economies. These include proximity to large dynamic markets, under-served markets, a pool of labour, land availability and price) that attract or encourage a firm to be located in a particular area.

## **2.3 Locating Porter amongst the two models: similarities and differences**

### **2.3.1 The shift from national to regional/local scale**

A key similarity between the three models outlined in Table 2.1 is the emphasis on spatial concentration of a sub-national scale in cities, regions and localities as a necessary condition for competitiveness. This has important implications for the appropriate spatial focus of policy making. Past policy approaches particularly in the post-second World War 'Fordist' period were centred upon macroeconomic management occurring at the national level. The greater importance of the sub-national scale implies a shift in policy making to this level. Typically, the social network model focuses on the regional scale drawing empirical evidence from a variety of successful regional economies (e.g. Silicon Valley, Baden Württemberg, Third Italy) and earlier Porter's contributions also tended to focus on regional economies (Porter, 1990), while the pure agglomeration model has traditionally focussed primarily on urban areas.

However, more recent work from Porter (1995 and 2000) on inner city areas and on the development of the notion of cluster point to different scales of analysis. In particular, Porter (2000) mentioned that clusters can occur at the national, regional and metropolitan level and he argued that inner city areas have competitive advantages which are highly localised. This analysis creates significant difficulties in understanding what the spatial scale of analysis of the cluster is and the associated range of policy interventions and institutional building that relates to each scale. Defining cluster boundaries:

'involves a creative process informed by understanding the linkages and complementarities across industries and institutions most important to competition in a particular field' (Porter, 2000: 17).

Moreover, Porter (2000: 26) suggests that there should be 'some seeds of a cluster that have passed the market test' before cluster development efforts are justified but does not offer a clear explanation of what 'passing the market test' means in practice. This vagueness causes a number of problems, particularly when policy makers need to make use of public funding available for the support of certain

industries and might be attracted to create clusters from 'thin air' (Lundquevist and Power, 2002; Rosenfeld, 2002a). Similarly, cluster and sector policies often overlap particularly in the case of policies aimed at industries and not just occupations (Rosenfeld, 2002a). The concept of cluster can conveniently be applied to justify funding sector intervention. This can be seen in government policies that have used the term 'cluster' as opposed to 'sector', although the content has often remained the same (Martin and Sunley, 2003).

### **2.3.2 Merging different theoretical traditions**

A further common feature to all three approaches is the focus on the 'environment', that is the space outside the firm. The pure agglomeration model emphasises the availability of externalities (e.g. a particular transport infrastructure) that are not internal (i.e. in terms of ability of running the company) but external to a firm and belong to the local environment. Similarly, the social network model emphasises that the benefits of spatial agglomeration are increased by linkages between firms, thus competitive advantage lies in elements that belong to the environment rather than belonging to the internal characteristics of a firm. Porter also emphasises the importance of the external environment by stressing the importance of both agglomeration economies and linkages between firms.

However, the merging of agglomeration economies and linkages between firms involves the merging of two separate conceptual traditions that are based on different views of firms' behaviour, one being short-term and individualistic, the other more long-term based on collaboration and trust. The basis for competitiveness is different: the neo-classical model explains success in purely economic terms, while the social network model explains this in social terms with trust relations placed at the centre. Merging these two approaches is problematic, because it becomes unclear what process is deriving from behaviour and how policy should respond. The two different views can be seen as complementary but they are based on different models and lead to different policy outcomes. An emphasis on agglomeration economies implies an attention towards infrastructural projects, interventions in the creation of premises for companies, and training. An emphasis on linkages between companies implies an effort to



create and support networking initiatives in the belief that this will generate relationships that lead to increased business opportunities and strengthening the ability of the cluster to be competitive.

Moreover, merging these approaches also involves mixing the analysis of different geographical environments ranging from urban to non-urban areas. As explained above, agglomeration economies advanced by neo-classical economics fits with the urban dimension particularly well, while the social network model draws on evidence from non-urban areas. In this case, both Porter's emphasis on cluster and the social network model appear to be challenged by recent research evidence. For example, research on London's competitiveness points to the greater importance of urbanisation economies over local linkages between firms (Simmie, 2004; Gordon et al, 2004). Research evidence has concluded that with the exception of the City, firms are more driven by the presence of urbanisation economies rather than spatially located linkages between firms (Simmie, 2004; Buck et al, 2002). In addition, empirical research showed that firms in London do not behave in the way described by the social network model. In particular Gordon et al (2004) conclude that the:

'value of London consists of an array of possible business links available to be pursued in shifting circumstances rather than building more restricted and durable partnerships: agglomeration promotes weak rather than strong ties' (84).

Thus, according to this evidence, Porter's concept of cluster might be of limited relevance in an urban environment, at least in the London context. However, Porter (1995) does include agglomeration economies as an important source of competitive advantage for inner city areas. These are analysed further in section 2.4.1 below.

### **2.3.3 Productivity: economic competitiveness and social justice**

Productivity is widely recognised as the most important component of competitiveness (Turok et al, 2004). Productivity is defined as the value of output produced by a unit of labour or capital. Porter (1990) argues that rising standards of living depend upon the long term productivity with which resources (i.e. labour

and capital) are employed. Long-term productivity is to be achieved through process and/or product innovation that results in a more effective use of labour and capital, and requires:

‘more sophisticated technology, skills and methods, and sustained investment’ (Porter, 1998: 68).

Thus, knowledge of sophisticated technologies and the abilities of the workforce are critical in achieving greater productivity growth.

Another way to achieve greater level of productivity is by reducing factor costs (rather than by making more effective use of them) which might result in lower wages or the shedding of labour (Corden in Wren, 2001; Begg, 2002a). In this case, the outcome of raising productivity is not particularly well distributed across all citizens. Recent research by Turok et al (2004: 15) shows a

‘weak relationship between the level of productivity and employment rate across all cities<sup>1</sup>. Cities such as London, [...] have a relatively high average productivity but a relatively low employment rate’.

It is within this debate that the social network model and in particular the institutionalist approach has strongly criticised the emphasis on competitiveness. As their focus is on the relationship between different institutions (state, firms and trade unions in particular), this approach argues for a greater involvement of the state, particularly in terms of the redistribution of the benefits of economic growth between regions. The current trend towards competitiveness is in fact seen as forgetting those regions that are lagging behind (Amin, 1998; Lovering, 2001) and is even acknowledged by the government which observed that an emphasis on cluster support could lead to ‘persistent economic differentials by preventing the economic recovery of under-performing regions and localities’ (HM Treasury, 2001: 35)<sup>1</sup>. This argument could also be put forward in relation to intra-regional differentials. Knowledge spillovers, and other localised advantages in successful areas attract and lock-in innovative firms and highly skilled individuals over time at the expenses of other less successful locations. Deprived urban areas are

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<sup>1</sup> cities surveyed included London, Edinburgh, Glasgow, Leeds and Sheffield

particularly penalised by these processes. They are characterised by a significant concentration of a low skilled workforce, high rates of unemployment, and high proportion of a transient population. These make it somewhat difficult to adopt a growth model based on investment in sophisticated technologies and the use of a highly skilled and innovative workforce, at least in the context of exploiting local capital and labour resources rather than attracting them from outside.

From this analysis, it emerges that much of the discussion of notions of competitiveness has placed little emphasis on how certain groups benefit from the economic growth generated, and that deprived urban areas are particularly penalised by these processes. The next section takes forward some of the points raised in this conceptual discussion to examine in more detail the context of urban deprived areas.

## **2.4 Competitive advantages and labour market dynamics in deprived urban areas**

### **2.4.1 Sources of competitiveness in deprived urban areas**

The discussion in the previous section has a number of implications for considering the competitiveness of deprived urban areas, and particularly in discussing the merits of Porter's vision for inner city areas. Firstly, an examination of Porter's approach to deprived urban areas is important in order to confront the empirical evidence discussed above which found the presence of urbanisation economies in London as a key source of competitiveness. Secondly, Porter (1995) provides an analysis of competitiveness at a different spatial level: the 'local' level in contrast to the traditional analysis of competitiveness drawing on 'regionally' based examples. Thirdly, Porter's approach to discussing the competitive advantages of inner city areas as opposed to its social disadvantages constitutes a new approach to thinking about deprived urban areas. Fourthly, Porter's vision for clusters (Porter, 1990; 2000) focuses on the importance of localisation economies as a key source of competitive advantage, while his vision for inner city areas is rather different and focuses on the importance of conventional urbanisation economies (Porter, 1995). These have significantly different implications for policy. Attention to localisation economies emphasise the importance of advanced

infrastructure, specialised industry training, and the creation of cluster specific institutions, while urbanisation economies focus on transport infrastructures, environmental cleanliness etc and those public sector services that create benefits for all firms across industries.

The key competitive advantages examined by Porter (1995) include proximity to markets, pool of labour, and under-served markets. These are discussed in turn below.

**Proximity to large dynamic markets:** this is a particularly important source of agglomeration for companies across a number of industries. Companies' location are based on a number of factors including the cost and availability of suitable properties, easy transport connection to such markets, and the presence of other infrastructure such as ICT. The relative importance of such advantages depends upon the particular type of good or service produced by the company. Thus, for instance, Porter (1995) suggests that wholesale, light manufacturing and generally 'locationally sensitive' businesses, as well as those specialised in consumer services, will be more likely to locate in urban areas. Inner city areas can be seen as advantageous in terms of their close proximity to dynamic markets, and the relatively lower cost of properties in comparison to suburban areas. Thus, for instance, food wholesalers that rely on frequent and timely delivery of goods can benefit from locating in inner city areas. As a result, costs are lowered by the simultaneous presence of cheaper properties, geographical proximity to markets, and easy transport access.

The problem of finding affordable premises is particularly acute in London. This seems to be an outcome of the limited availability of premises rather than of weak demand. Gordon et al (2004) note that the whole of the South East including London is characterised by an inelastic supply of space rather than weak demand. This problem is particularly acute in deprived urban areas which have restrictive planning policies (Troni and Kornblatt, 2006) creating significant constraints for many high growth companies (NEF, 2002) and is one of the reasons underlining their re-location to other areas (OECD, 2003). It is, however, important to highlight that US inner cities are characterised by a greater level of physical decline

than deprived urban areas in the UK. As a result, the importance of low land values is more likely to be a greater competitive advantage in the US than in the UK.

**Under-served markets:** inner city areas provide an advantage for companies that need to be in close proximity to markets. This, combined with the importance placed by Porter (1995) upon the need for a sophisticated demand as one component of his diamond model for spurring product and process innovation and competitiveness, provides the basis for the notion that markets in inner city areas are 'under-served'.

According to Porter (1995), inner city areas can also be considered as an important consumer market for companies in retail, financial and personal services that operate in particular niche markets. Although residents in these areas have less income power in relation to wealthier areas, the presence of a high population density translates into significant overall purchasing power. Inner city areas in the US and in the UK are characterised by a high concentration of ethnic minorities, a relatively high proportion of young people due to immigration and higher birth rates. Porter also argues that such groups often have distinct tastes. Moreover, Social Compact in the US showed that the purchasing power of people living in disadvantaged areas may be underestimated due to the presence of a dynamic informal economy that does not appear in statistical data (SC, 2001). As a result, businesses located in these areas can take advantage of business opportunities by exploiting niche markets and its substantial informal economy.

However, there is relatively little knowledge as to whether the notion of under-served markets can be applied in the UK. Although the approach has clear benefits in certain areas of the UK, it is not clear to what extent most deprived urban areas in the UK would fit into the profile of under-served markets. In a study on under-served markets undertaken by the DTI (2002) on the role that large retailers might play in providing goods and services to deprived urban areas, Dunford (2006) observes that at first glance the areas fitting the criteria of under-served markets were in fact already characterised by the presence of large retailers.

It follows therefore that such areas could not be considered as under-served by retail businesses and, as a result, raises some questions in terms of the different nature of deprived urban areas in the UK and the US. Thus, while some urban areas in the UK might be comparable to the US, overall there is a substantial difference, particularly in terms of the extent of physical abandonment and the withdrawal of private sector investment and services on which the problem of under-served markets is based. The difference in the extent of deprivation between the US and the UK was identified by Hambleton and Taylor (1993) who argued that spending cuts imposed in some US cities in the 1980s were far worse than any associated areas in the UK and a growing number of cities were in a state of financial collapse.

In addition, the examples included by Porter (1995) to justify the need for companies to target niche markets and particular ethnic minority groups has been criticised by some observers (Johnson et al, 1997) who argued that firms cited by Porter are not, in fact, targeting specific ethnic minorities. A similar criticism emerges in relation to DTI's (2002) report. This work examined large conventional retailers (e.g. Tesco, McDonalds, Sainsbury's, Lloyds) that do not target niche markets unlike some of their American counterparts (e.g. Magic Johnson Theatre). This work is also rather uncritical of the impact that large retailers have on the local economy. It is not at all clear whether deprived areas benefit from the location of large retailers within them. A review by Dixon (2005) observed that there is no conclusive evidence to date to support this, thus further research is warranted.

**Pool of labour:** the literature related to the labour pool has heavily focussed on the presence of skilled labour as a key element of agglomeration for firms at the regional/city level. The availability of a skilled pool of labour is an important source of agglomeration for companies, particularly the most innovative. Uncertainty drives businesses to locate in areas where they can have access to many different workers in order to minimise risk and enable the shedding of workforce during economic downturns (Storper and Venables, 2002). There is also evidence that firms agglomerate in a certain area to take advantage of local semi-skilled labour thought to be immobile and available only in that particular area

(Simmie et al., 2002). This type of agglomeration economy is particularly important in the context of the 'knowledge based economy'. Knowledge based companies increasingly rely on a pool of specialised labour which is critical to innovation, productivity and ultimately competitiveness. If competitiveness depends upon a specifically qualified labour force, companies compete and locate in areas where such a labour force is abundant. Specialised labour is also one of the crucial requirements to create 'learning innovation systems'. The notion of learning innovation systems has been developed by Lundvall (1992) and shows the crucial importance of highly qualified and knowledgeable labour to the creation of spatial agglomeration (e.g. Silicon Valley). A similar emphasis on the importance of a skilled labour force emerges from the work on new industrial districts (Beccatini, 1990), the concept of 'innovative milieu' (GREMI) as well as the 'institutional analysis' developed by Williamson (1975), and Coase (1937). A recent survey of innovative firms locating in the UK and other European cities (Simmie, 2004) provides further evidence for these theories and concludes that highly educated professional and technical workers are the most important input to innovation in the context of highly innovative firms.

While this literature clearly explains the benefits gained from the presence of a pool of skilled labour, its importance to the understanding of deprived urban areas is less clear. These areas are characterised by a high proportion of unskilled labour, as well as a complex variety of social problems that might prevent them from being considered as a major driver of agglomeration. Porter (1995) argues that firms based in inner city areas can take advantage of the large availability of a loyal, modestly skilled workforce. However, Porter does not engage adequately with the reasons that led to the presence of such a low level of skills in deprived urban areas, and that such reasons are likely to prevent firms from locating in these areas in the long term.

At least three related processes can explain the lack of effective engagement in the labour market of inner city residents. Firstly, there is strong empirical evidence to suggest that processes of de-industrialisation and tertiarisation have had a particular effect on many advanced economies including London, leading to an urban-rural shift. This has taken the form of the closure and re-location of

manufacturing companies to more suburban areas (Graham and Spence, 1995). As a result, the skills of residents employed in manufacturing activities have become obsolete in the face of a new economic structure characterised by the rise of service sector activities. Secondly, internationalisation and globalisation processes have increased competition from low labour cost countries especially in routinised production processes and have led to the relocation of manufacturing activities to developing countries that can offer a lower cost of labour (Krugman, 1991). Thirdly, evidence points to the re-location of some companies, particularly in the textile industry, to South East Asia in the 1980s in order to exploit emerging regional markets rather than low labour costs (Nillson et al, 1996 cited in Raco, 1999).

The declining presence of manufacturing companies has caused long term loss of unskilled jobs. While some of these unemployed workers will be employed in the growing service sector, this offers less security, less prospect of career progression and is generally poorly paid (Martin and Morrison, 2003). Some growing service sector activities (e.g. hairdressers, catering etc) that often employ low skilled people suffer from high levels of displacement. They are very abundant in particular areas because they are characterised by low barriers to entry (i.e. they are relatively easy to set up), but also more likely to fail as they face aggressive competition achieved mainly through cost cutting strategies. In this context, Porter's (1990) rationale for improved competitiveness via product and process innovation does not apply to these types of activities that are characterised by low innovation, and competition is mainly based on lowering costs rather than supporting the improvement of products and/or processes.

Given the poor skills of people in inner city areas, it can be assumed that principal competitive advantage offered by this pool of available labour is its lower cost. Thus, firms operating in the wholesale, light manufacturing, food processing, and hospitality sectors might be able to compete in terms of lower cost of labour. Johnson et al (1997) observed that these sectors have been able to be competitive in inner cities thanks to the employment of newly arrived illegal immigrants which were paid extremely low wages and worked in precarious job conditions. This contradicts the findings from Porter (1995) who suggests that low wage costs in inner city areas are 'largely illusory'. Yet a large availability of a labour pool



possessing similar skill levels leads directly to lower wages being offered in virtue of labour supply and demand adjustments. And, Fainstein and Gray (1996: 37) argue that in US inner city areas:

‘low wages paid for low-skilled jobs are insufficient to support most families’.

In this context, the rapid growth of London’s economy has contributed significantly to attract a large number of migrants who have made competition for entry-level jobs very strong (HM Treasury, 2007). Thus, accessing local job opportunities has become even more difficult for those who are the least competitive in the labour market.

#### **2.4.2 Competitiveness and the labour market in deprived urban areas**

A key issue emerging from previous sections (2.4.1 and 2.3.3) is that there is no clear link between the pursuit of competitiveness and the local pool of labour available in deprived urban areas. This requires a clearer understanding of how labour markets operate in deprived urban areas.

When conceptualising labour markets in deprived urban areas, a useful starting point is to consider the neo-classical economic view that market forces of supply and demand of labour should eventually achieve equilibrium in the free play of competitive forces. Unemployment, vacancies, skill adjusted wage differentials are considered as issues that prevent the market from achieving equilibrium (Martin and Morrison, 2003). This particular approach entails macro-economic solutions to the problem of unemployment such as attempting to generate economic growth throughout the economy as a whole that eventually trickles down to create job opportunities for all.

However, this particular view of labour markets does not apply to the analysis of deprived urban areas for a variety of reasons. Firstly, it assumes that in the long term labour markets should ‘clear’, but deprived urban areas are characterised by significant persistence over time, and structural disequilibrium (Gordon, 2003;

Cheshire et al, 2003). Secondly, the labour market is characterised by socio-cultural processes that neo-classical views do not account for. Thus, for instance employers' recruitment processes especially in deprived urban areas are often discriminatory and selective (Buck et al, 2004; Potts, 2002), thus guided by principles other than pure economic rationality.

Other approaches, have attempted to account for these factors and in particular, the imperfect market perspective considers labour markets as being highly segmented, non-competing sub-markets, characterised by spatial concentration, where local demand and supply of labour are in perpetual disequilibrium (Martin and Morrison, 2003). High segmentation of these labour markets means that individuals face a range of significant obstacles and are, as a result, confined to a labour market that is geographically limited. Although without explicitly dealing with labour market dynamics, Porter (1995) subscribes to this particular approach, emphasising the spatially localised nature of labour markets and recognising the nature of perpetual disequilibrium between supply and demand of labour in these areas. Given such barriers, the policy option put forward by Porter (1995) includes the creation of jobs in inner city areas rather than attempting to build links between local residents and the wider labour market. Moreover, Porter (1995) recognises that although inner city areas have a complex and mixed labour market, policy efforts should concentrate on the creation of jobs for those people that are most ready to take it which invariably are those more skilled and/or with the best attitudes.

However, there are a number of problems with solely focusing on this approach to local labour markets. Although there is clearly a problem with lack of mobility, it is also important to consider other approaches that view the labour market as not entirely segmented and consider the possibility to increase the ability of individuals to commute and/or migrate outside their area for work. The rationale for this approach originates from a number of considerations. Firstly, urban areas are characterised by the presence of high levels of in-commuting and out-commuting. Thus, people in deprived areas compete with people commuting from outside their area for work as well as in-migrants, and this can minimise the impact of policies aimed at increasing employment for local residents (Gordon,

2003). This problem is particularly relevant in deprived urban areas where the skill levels are low.

Secondly, deficiencies on the demand side could be counterbalanced by widening employment fields for individuals (Gordon, 2003). Lack of mobility can be considered conceptually as the restriction of an employment field which is defined as the distance an individual is willing to travel for work (Martin and Morrison, 2003). The size of the employment field is influenced by a number of variables. Individuals' mobility is influenced by commuting time, cost of transport, and wage levels. Some groups especially those 'further away' from the labour market are more sensitive to these variables (HM Treasury, 2007). These include lone parents, unemployed and long term unemployed, those looking after home/family but seeking work, and people with disabilities.

In this context, it is also important to remember that these groups also find it more difficult to relocate because of how the housing market functions, which is influenced by the availability and quality of public goods such as education and other amenities (Cheshire et al, 2003). Individuals with higher incomes will outbid those with lower income in order to secure higher quality public goods. This causes concentrated deprivation that ultimately limits the employment field of people living in deprived urban areas. Similarly, the most disadvantaged groups relying on social housing provision find it even more difficult to relocate (HM Treasury, 2007). Moreover, some women especially from particular ethnic groups find it more difficult to venture out of their area because of their lack of knowledge of public transport and the difficulties in the use of the English language (Bhavnani and Ahmad, 2006).

On the other hand, people 'closer' to the labour market that possess higher skill levels have a wider possible employment field and can often travel to areas especially in outer areas of London where labour demand for comparatively lower level of skills is higher (HM Treasury, 2007). Thus, policies aimed at extending employment search fields could be used to improve employment rates. In addition, if these groups were to find jobs outside their local area, that would increase job opportunities available for other people in deprived urban areas. However, a

downside to this is the higher likelihood that these people will move out of the area, with the likely consequence of even greater concentration of deprivation as only those with lower skills are left behind.

In some cases, job opportunities might be available in the local area, but lack of information about job availability creates a mismatch between demand and supply of labour. In this context, the social capital literature examines how social networks influence the connection between supply and demand of labour. Key to this notion is that networks do not work in the same way as employment fields as they are influenced by social and cultural norms and beliefs that can increase/reduce chances of employment. Thus, for instance, recruitment on the demand side, particularly in small firms is driven by 'word of mouth' processes and other social networks with community or religious groups (Potts, 2002) that act as a screening mechanism in the employment of a candidate. Some other evidence demonstrates that employers' choices are often influenced by stereotypes, discrimination and are selective of certain groups over others (Buck et al, 2004).

On the supply side, the presence of networks of strong and weak ties in a particular area might restrict the ability of an individual to relocate to another area to take advantage of job opportunities. The likelihood of finding a job decreases, the longer the period of unemployment due to the loss of important weak ties (Potts, 2002). Thus, the long term unemployed generally lose their networks with people in employment and therefore will face difficulty in knowing of available job opportunities.

This discussion of the workings of labour markets in deprived urban areas highlights that the creation of jobs is not the only solution to unemployment. If employment opportunities for local residents are to be created, the unemployed and workless need to be able to compete effectively for these jobs. In addition, the creation of job opportunities in deprived urban areas needs to be seen as part of a wider regional/city labour market, which creates constraints and opportunities for residents from deprived areas.

Thus far, the chapter has highlighted some of the similarities and differences between different conceptual understandings of the competitiveness of cities and regions. It has discussed Porter's (1995) vision of inner city areas and provided a critique of such concepts. A key problem emerging from this discussion is that Porter (1995) stresses the role of markets as the solution to the problems of deprived urban areas. The creation of wealth generated by these firms would find its way (almost like an invisible hand) to local residents.

These issues will be examined further in the next section by considering the extent to which the development of UK urban policy reflects the Porterian emphasis on the role of competitiveness. Moreover, as one of the key criticisms to Porter is the unequal distribution of wealth generated, the next section will discuss the extent to which local economic policies have contributed to local job creation. Lastly, a parallel objective of the remaining part of this chapter is to illustrate how the CGS fits into the development of the UK urban policy environment.

## **2.5 The Policy Environment for tackling the economic problems of deprived urban areas**

The previous sections have located the work of Porter on competitiveness within wider conceptual debates relating to cities, regions and in particular deprived urban areas. The remaining part of this chapter illustrates the key changes in the orientation of policies for deprived urban areas from the late 1970s, focussing particularly on the most recent policy developments introduced by New Labour, and places the Porter inspired City Growth Strategies (CGS) within this. The list of policies discussed here is not exhaustive as the number of programmes and interventions that focus, or have an impact on, deprived urban areas is considerable. Instead, the objective is to illustrate with examples the continuities and changes in policy approaches. This review identifies three broad groups of policies that reflect the ongoing tension between economic and social agendas, although inevitably some forms of intervention do not fit neatly into these categories.

### **2.5.1 Prioritising the economic: competitiveness, clusters and enterprise**

Approaches that prioritise the economic dimension of deprived areas are characterised by their clear focus on promoting economic growth and market based activity. Such policies were first introduced by the Conservative government in the early 1980s and signalled two major changes in policy orientation: a shift in emphasis from the redistribution to the creation of wealth and from a social to an economic agenda for deprived urban areas. In the 1960s and in the early 1970s, issues in deprived urban areas were not seen primarily as a failure of the productive economy, but as a failure in the distribution of income and public services. The interconnection between economic and social problems, however, became evident in the 1970s, partly as a result of economic stagnation characterised by high levels of unemployment and the resulting pressure on the welfare state. This provided the basis for the view that 'it is necessary to create wealth before it is redistributed' and a change in focus from local poverty programmes characterised by strong welfare state interventions towards employment (Einsenschitz and Gough, 1993).

In the early 1980s, the ideological vision of the Conservative government characterised by a neo-liberal inclination towards the market contributed to the shift towards policies encouraging the creation of economic growth by unlocking the forces of the market (Deakin and Edwards, 1993). In terms of policy-making, the shift is well illustrated by the introduction of two major policies, Urban Development Corporations and the Enterprise Zones. Both focussed on the attraction of private sector investment (i.e. inward investment) into deprived urban areas via the allocation of a range of direct subsidies to mainly private sector developers (Table 2.2).

Yet, these flagship policies did not have the results that were hoped for, at least, in terms of local employment creation. In both cases, in fact, employment creation was significant but only for people in commuting distance from disadvantaged areas (North et al, 2002; Deakin and Edwards, 1993). In the Docklands, one of the largest UDCs, unemployment rates actually rose between 1981 and 1991 at the same time as thousands of new well paid financial jobs were created (Brownhill,

1999). Moreover, private sector investment did not meet the expectations of the government which had imposed a significant 1:4 ratio of public/private investment (North et al, 2002). This suggests that the initial enthusiasm and belief in private sector abilities to come forward and invest in deprived urban areas was not well placed.

**Table 2-2: Measures to enhance competitiveness: national/regional and local level**

Spatial focus	Local			National/Regional
	UDCs	EZs	CGS	Clusters
Understanding of problem	Physical environment is poor because of industrial decline. Not enough business space	Need to tackle high levels of unemployment. Attraction of businesses to create employment	Deprived urban areas have competitive advantages rather than disadvantages	Competitiveness is strictly related to factors that are rooted in localities
Goals	Attracting exogenous investment and physical regeneration into deprived areas by physical re-development	Attraction of inward investment by influencing directly the location of businesses	Stimulating both endogenous growth (e.g. clusters) and inward investment, but mainly the former	Stimulation of the indigenous potential particularly within high tech clusters. Some elements of inward investment
Spatial focus	Local	Local	Local	Regional, national
Preferential target	Physical restructuring	Business investment	Business growth	Business growth
LED tools	Acquire, hold and manage land planning permission Financial aid and grants to developers	Tax relief Subsidies Financial aid and grants to developers	Networking Under-served markets Training No direct subsidies Procurement Incubators BIDs	Training Networking and co-operation Industry specific measures

Source: author

More recently, under New Labour governments, the emphasis on economic growth in deprived urban areas is evident from a number of government publications. The promotion of enterprise across the UK emerges from the intent of the government to enhance competitiveness via productivity growth as a way to increase growth and prosperity (DTI, 1998). This has been maintained in subsequent government publications (HM Treasury, 2001; 2003). The main rationale behind these efforts was to fill the gap in the overall stock of small businesses between the UK and other advanced economies, particularly the US. At the national and regional level, the support for clusters has played a major role in enhancing the competitiveness

agenda (DTI, 2003) and, at the local level, a number of other measures such as the CGS, BIDs and the under-served markets initiative have been introduced.

Cluster policies have borrowed some characteristics from regional, industrial, technology and SMEs policy areas (Taylor and Raines, 2001). Support for clusters is clearly an important aspect of regional policies promoted by Regional Development Agencies (Wren, 2001). These focus mainly on softer forms of support including networking and co-operation between companies (especially along the supply chain) and the wider support infrastructure (e.g. research institutes, universities) within the UK and across other European countries (OECD, 2001; Taylor and Raynes, 2001). As discussed above, this reflects the view that a key feature of competitiveness originates from the effective flow of knowledge, learning and innovation within clusters (Lagendijk and Charles, 1999). Moreover, cluster policies have also borrowed from industrial policies which focus on sectors and industry specific measures, but unlike the old traditional industrial policies such as the Regional Selective Assistance that mainly focussed on the manufacturing sector, cluster policies focus on the support of high tech firms (Boekholt and Thuriax, 1999). They have also borrowed from SME policy fields, in emphasising the importance of developing the capacity of smaller businesses to overcome their growth challenges.

Although cluster policies resemble previous policy areas and their tools for interventions, their development has emerged out of the criticisms made towards previous policy fields (Boekholt and Thuriax, 1999). For instance, cluster policies have developed as a reaction against those initiatives in the areas of innovation (e.g. technology parks) which were driven by a focus on public policy priorities (e.g. employment creation in particular locations) rather than business needs, and were also led by a logic of short term funding allocation (Morgan, 1996). Cluster policies advanced by Porter (1990; 2000) also borrow from previous industrial and regional policies (Martin and Sunley, 2003) which focus policy intervention around industries or broad sectors. In this context, the correct identification of what a cluster is becomes central.



While the vast majority of cluster policies represent an attempt to raise competitiveness at the regional/sub-national scale (DTI, 2003), the CGS and related types of intervention such as BIDs (Business Improvement Districts), and under-served markets provide examples of efforts to raise competitiveness at the more local level, particularly in relation to deprived urban areas. As discussed, the CGS focuses on the competitive advantages of inner city areas which can be summarised as a pool of under-utilised labour, proximity to buoyant markets, the presence of an under-served market, and the presence of dynamic clusters that firms in deprived urban areas can link up to (SBS, 2001). It is clearly expressed in a number of policy documents that the key aim of the CGS is to stimulate economic growth rather than tackle social disadvantage (SBS, 2001; SBS, 2005). The BIDs initiative seeks to improve competitiveness by offering a mechanism for financing and managing improvements to commercial and industrial locations. This is achieved through agreement between businesses and the local authority to support an additional levy to produce revenues for special services such as joint marketing, increased security, cleaner streets etc. BIDs have a long standing history and can be used in a variety of areas including industrial estates and to boost the attraction of retail areas to customers.

These measures are ideologically very similar to measures introduced in the 1980s in that they concentrate on the economic growth of urban deprived areas rather than directly tackling social issues such as poor housing, low educational attainment, and health. A reduction in the social problems that affect individuals living in deprived areas might be an indirect beneficial outcome of policies promoting economic growth rather than being central to it. Local employment creation is assumed with no real concern as to who benefits from it. Moreover, beneficial effects on local residents might accrue from the BIDs in form of an improved local environment, but these are secondary to the main rationale of increasing customers' flow to retail outlets located in the area.

However, there are also strong differences with previous approaches that reflect the conceptual debates discussed in previous sections. Firstly, and perhaps most importantly, is the shift from exogenous policy initiatives, represented by the UDCs and the EZs, to a focus based on endogenous growth represented by the

emphasis on clusters, the growth and support of the existing business base, and increasing the linkages between companies. This appears to be a significant difference between the policy focus of the UDCs/EZs and the CGS/BIDs. However, such differences are less evident in the notion of under-served markets (discussed in section 2.231) and in the implementation of the CGS in practice (e.g. CFP, 2003a; HCGS, 2003). The under-served markets approach does not rely on direct subsidies in order to secure inward investment but rather on attracting businesses by convincing them that deprived urban areas present some important and previously ignored competitive advantages (i.e. high overall purchasing power). Whilst the mechanisms are different, they do share with earlier initiatives an emphasis upon the logic of attracting inward investment.

Secondly, while the UDCs were strongly focussed on the renewal of the general physical infrastructure of deprived urban areas (e.g. creating commercial space) in order to attract any type of private sector investment, the CGS focused, at least in Porter's prescriptions and ICIC work (Porter, 2002), on other aspects of economic development. These include the creation of cluster specific advanced infrastructure (e.g. technology parks; specialised training centres etc) and even more decisively on softer forms of support such as the stimulation of networking between companies, particularly along the supply chain.

The introduction of softer forms of support is not confined to urban deprived areas, but embraces a more general shift in industrial policy from a previous emphasis on the creation of hard infrastructures such as buildings, roads etc. to a logic that considers these as a necessary, but not sufficient, condition for supporting the economic growth of regional economies. Instead, greater emphasis is placed upon innovation and networking, which reflects the social network model notion of linkages between companies (Amin, 1998; Porter, 1998).

While hard forms of support aim to lower the cost of new capital to encourage investment, softer forms are more information based and reflect the increasing role given to human capital (Wren, 2001). Softer forms of support, especially those highlighted by the social network model, also emphasise the need to look at more

social aspects (i.e. trust, norms and values etc) that might influence the strengths of linkages between companies and ultimately the performance of clusters.

In contrast, the BIDs emphasise the important of hard forms of support. Its main focus is on tackling the most essential factors preventing competitiveness via providing a cleaner environment, security etc that impinge on daily business operations. In this context, BIDs represent a return to an emphasis on the need to tackle the most essential factors preventing competitiveness (i.e. cleaner streets, security etc) although they also seek to build shared visions and trust between businesses.

Thirdly, Porter (1990; 1995) promotes policies based on indirect rather than direct subsidies. The latter are seen as distorting the operation of market forces and companies that might take advantages of these are not operating according to their competitive advantages. Thus in the long term, they will not be viable businesses. The involvement of the public sector therefore should be one of 'removing obstacles and relaxing constraints (i.e. training, infrastructure creation, and relaxing regulation) to promote the 'optimal' functioning of market forces. For instance, in the US affirmative policies to support the growth of ethnic minority businesses and the Enterprise Zones more generally are judged by Porter (1995) as interventions that distort the operation of the market as they provide direct subsidies to companies to influence their locational decisions. However, the CGS as it has been implemented in the UK (HCGS, 2003; CFP, 2003) features a mix of initiatives that emphasise the stimulation of market forces, but also others that do not. For example, the support for incubation units involves public sector direct intervention to subsidise premises for start up businesses. In contrast, as BIDs are primarily financially supported by the private sector, there is little public subsidy distorting market mechanisms.

### **2.5.2 Joining up: enterprise growth and social exclusion**

While the previous section concentrated on describing a range of measures aimed at promoting the economic growth of the areas concerned, this section examines a set of policies that have attempted to recognise the link between enterprise growth

and social exclusion. This rationale is informed by evidence that there are a number of barriers that prevent certain disadvantaged groups in deprived urban areas from achieving their full potential (HM Treasury, 1999). Two important features of this include the need to tackle market failures, and secondly, the need to ensure equality of opportunity (SEU, 2004). These key points were supported by evidence that women and some ethnic groups living in deprived urban areas are characterised by lower business start-up rates, and face greater difficulties in accessing finance in relation to other areas and groups (ibid).

This particular evidence led to the creation of a number of initiatives such as the Phoenix Fund - managed by the Small Business Service (SBS) - to provide a range of services (i.e. mainly specialised business support and self-employment support) for groups that are characterised by a low level of entrepreneurial activity such as women, and certain ethnic groups such as Black and Bangladeshi (male and female), refugees, people with mental health problems and ex-offenders (Table 2.3).

There are some doubts as to whether this approach has achieved what was initially intended. An evaluation of the Phoenix Fund (Ramsden, 2005) concluded that the economic and social objective of the programme can be combined but there is an inevitable trade-off between depth in reaching into excluded groups and economic impacts on areas. It is hard to reduce exclusion and increase local productivity at the same time. Similarly, other contributions (Blackburn and Ram, 2006) conclude that the role of enterprise in combating social exclusion is over-optimistic and, at best, alters the barriers to excluded people, but overall fails to recognise the multi-faceted nature of social exclusion. In particular, this approach might help with tackling problems from those that are closer to the labour market and have a higher skill level, but those most disadvantaged cannot take advantage of these opportunities. In a context of macro-economic stability that has created substantial numbers of jobs over an interrupted long cycle of economic growth, the inability to reach the most disadvantaged groups represents a significant failure.

**Table 2-3: Measures combining the economic and social agenda**

	<b>Phoenix Fund (2001-2008)</b>	<b>LEGI (2005-2010/15)</b>
Understanding of problem	Persistent gap in entrepreneurial activity between the most deprived areas and the rest	Persistent gap in entrepreneurial activity between the most deprived areas and the rest
Goals	Start up and business support for target groups	Increase entrepreneurial activity (i.e. Start up, business growth, inward investment)
Spatial focus	Local	Local authority
Preferential target	Local disadvantaged groups	Local population in deprived areas
LED tools	Business support for target groups Access to finance Support for social enterprise Networking between businesses Incubators	Inward investment Business support Incubation units Access to finance

Source: author

The most recent initiative aimed at stimulating the development of enterprise in deprived areas is the LEGI (Local Enterprise Growth Initiative). The aim of the LEGI is to:

‘release the economic and productivity potential of the most deprived local areas across the country through enterprise and investment thereby boosting local incomes and employment opportunities, and building sustainable communities’ (HM Treasury, 2005: 3).

In particular, the focus of LEGI is on increasing total entrepreneurial activity (i.e. start up rate), supporting business growth and reducing the failure rate through business support, and attracting inward investment. Criteria employed in the assessment of successful bids were not solely based on deprivation but also on the untapped potential for enterprise growth (NRU, 2006). Flexibility has been one of the key criteria used in LEGI with local authorities and other local and regional partners establishing the priorities for their area.

The analysis of documents published by NRU and successful LEGI bids show that the programme has a strong emphasis towards linking neighbourhood initiatives, delivering through social enterprise, and an understanding of the nature and extent of deprivation in disadvantaged areas (NRU, 2006). Successful bids have a clear orientation towards enterprise and social exclusion rather than the type of focus on enterprise for economic growth per se. There is no clear mention of notions of competitive advantage, clusters or sectors to be specifically supported as

in the CGS. Moreover, the emphasis on physical re-development that is a strong characteristic of previous policy approaches such as the UDCs does not appear to be discussed within LEGI. Instead, the core message is one of supporting enterprise amongst disadvantaged groups. In this sense, therefore, the LEGI shows strong similarities with the objectives and rationales of the Phoenix Fund. This shows a shift towards an approach that is more in tune with the needs of disadvantaged groups rather than exhibiting a strong emphasis on economic growth. Thus, enterprise is still at the heart of the development process but the attention towards disadvantaged groups of the population appears to be greater than before.

### **2.5.3 Holistic approaches: tackling social and economic issues simultaneously**

The first steps towards policies characterised by a more holistic approach to tackle the problems of disadvantaged areas can be traced back to the early 1990s. The introduction of three key programmes can be presented here: the City Challenge (CC) in 1991, the Single Regeneration Budget (SRB) in 1994, followed by the New Deal for Communities (NDC) in 1998. Holistic approaches advocate that disadvantaged areas are characterised by a multitude of deeply rooted economic and social issues that need to be tackled simultaneously in order to have a beneficial impact. This shift in policy was driven by the realisation that the physical and economic interventions of the 1980s were not sufficient in tackling the persistent level of deprivation of some areas. Other social and cultural aspects of deprivation needed to be taken into account (De Groot, 1993) and previous approaches based on economic growth had not been of benefits to local residents as expected (Fordham et al, 1999).

Within this broad vision, CC and SRB can be considered the most influential programmes of this period. In terms of its economic objectives, CC was set up on the basis that disadvantaged areas would not be successful in the market economy if they were not helped to compete (Fearnley, 2000). The SRB, set up in 1994 and phased out by 2005 had the same broad objectives of integrated economic, social, and cultural regeneration. In terms of the development of enterprise and

employment, the evidence gathered by North et al (2002) concluded that the contribution of both programmes was somewhat limited, while the contribution in terms of job creation was important in relation to the CC, although there were doubts on the long term sustainability of these jobs. Intervention in favour of firms in the CC areas resulted in increased displacement levels, thus jobs created were likely to be rather short term. In terms of the SRB, Rhodes et al (2005) concluded that the SRB had made some contribution to raising local employment in the seven areas surveyed. However, in relation to filling the employment gap with other areas, there was a substantial scope for improvement (ibid).

**Table 2-4: Holistic approaches: tackling deprivation**

	<b>CC (1991-1994)</b>	<b>SRB (1995-2001)</b>	<b>NDC (1998 –2008)</b>
Understanding of problem	Need to tackle multiple problems of exclusion including housing, and the physical environment, crime, worklessness, health and education	Need to tackle multiple problems of exclusion including housing, and the physical environment, crime, worklessness, health and education	Need to tackle multiple problems of exclusion including housing, and the physical environment, crime, worklessness, health and education
Goals	Social and cultural objectives alongside economic ones	Enhance the employment prospects of people in disadvantaged areas	Bridge the gap between most deprived areas and the rest of the country
Spatial focus	Local	Local (but no boundaries)	Neighbourhood (39)
LED tools in terms of enterprise promotion	Inward investment Business support Training	Training Business support for ethnic minorities	Managed workspace Business support for start up and growth Infrastructure/equipment (i.e. physical improvement of buildings) Training

Source: author

The New Deal for Communities (NDC) was set up by New Labour in 1998 to tackle a range of interconnected problems impacting on residents in 39 neighbourhoods. The government allocated £2b (one of the largest funding streams ever allocated to a regeneration programme) to the NDC, which focuses on six key outcomes including community development/engagement, improving housing and the physical environment, health and education, reducing worklessness, and fear and experience of crime (CRESR, 2005).

The evaluation of the NDC (2001-2005) carried out by CRESR (2005) demonstrates that the funding allocated to ‘employment, finance, and enterprise’ was just 11%, with only health receiving less. Leverage of funding from other

agencies was also limited in relation to previous similar area based initiatives such as the SRB. On average, every pound of NDC spend was matched by about 60 pence of other investment, almost all of which came from other public sector organisations and the largest matched funding ratio was allocated to worklessness projects. About two/fifths of the projects (38%) under 'employment, finance and enterprise' were devoted to enhancing business growth and start ups/self-employment. Self-employment in the NDC areas as a whole in 2004 was only two percentage points below national average. Only a small number of employment opportunities were created by start-up businesses, many of which tended to be filled by members of the owner's family. Other types of intervention included tackling the lack of availability of premises, and the improvement of security and renovation of existing business premises. Unfortunately, estimates of the additionality and/or displacement of business support projects were not carried out.

In terms of employment, policy interventions have concentrated on groups facing the most serious barriers to work including disabled people, lone parents, people with lower qualifications, older people, and ethnic minorities who are often concentrated within NDC areas. The overall aim of this range of interventions was to achieve economic inclusion by facilitating unemployed residents into the labour market. A variety of projects were put in place to reduce unemployment ranging from job preparation, job brokerage, and the provision of basic skills. In some cases, an additional range of measures was introduced including interventions to change employers' recruitment practices in order to facilitate the take up of local residents. Three NDC areas provided support in terms of free child care combined with a contribution to transport as well as training and basic skill provision such as time keeping, appearance and motivation. Despite the contributions of different types of projects and the overall attention towards increasing employability, the evaluation concluded that there is still a need to include the most disadvantaged groups such as ex-prisoners and people with a drug dependency.



## **2.6 Conclusions**

The first part of the chapter critically discussed Porter's approach to the economic competitiveness of inner city areas drawing upon a number of different theoretical approaches including neo-classical economics on the one hand, and institutionalist approaches, on the other. This review highlighted a number of problems with Porter's approach that this thesis investigates further in the following chapters.

A first key issue is that Porter's approach to competitiveness is all embracing and considers a variety of different policy options that cover almost all the measures available to policy makers. His model for inner city areas mixes the notion of cluster with agglomeration economies with their different policy implications. While the notion of cluster is fundamentally endogenous, Porter (1995) includes exogenous approaches such as under-served markets into its analysis. He also draws upon different theoretical approaches in examining sources of competitiveness combining the policy implications of social network theories with more neo-classical approaches. Thus, within the notion of cluster, Porter (2000) recognises the importance of trust, collaboration and face-to-face interaction which involves, in policy making terms, an emphasis on building networks between companies. In others, he highlights the importance of building cluster specific infrastructures such as high tech centres, providing specialised training etc. (Porter, 1990; 2000). Finally, in its analysis of deprived urban areas, Porter (1995) combines the emphasis on cluster with an analysis of agglomeration economies which focuses on the importance of proximity to markets and the availability of a pool of labour and which emphasises the implementation of a range of measures that are applicable to firms irrespective of their sectors of activity.

Problems in considering the policy implications of Porter's work also emerge from his 'flexible' use of geographical boundaries of a cluster. Although there is a consensus about the need for sub-national approaches to understanding and supporting competitiveness, clusters in Porter (1990; 1995; 2000) appear at different regional, sub-regional and, local spatial scales. This creates a number of

policy problems in attempting to co-ordinate government intervention in the development of clusters.

Despite these tensions, the key message emerging from the analysis is that Porter's (1995) model is clearly focussed on an economic approach tackling the problems of deprived urban areas. The review carried out in the second part of the chapter revealed that UK urban policy has some experience of programmes stimulating economic growth and targeting deprived urban areas from the early 1980s but such approaches have changed their focus slightly to pay greater attention towards a greater social focus to disadvantaged groups in recent years, as exemplified by the Phoenix Fund, LEGI, and NDC. This focus, however, has been counterbalanced by initiatives such as the CGS and more generally the focus on the development of clusters at the regional and national level, primarily driven by the DTI (now DBERR) which are more clearly focussed on raising competitiveness. One significant difference between the local economic development initiatives of the 1980s and more recent initiatives has been the focus on endogenous activity reflected in various attempts to create and support the growth of SMEs and clusters. Although this appears to be a key change in local economic development policies, the under-served market initiative discussed in this chapter illustrates that the attraction of inward investment remains a significant element of policy.

A fundamental limitation with Porter's approach to inner city areas is the limited attempt to build links between economic growth and benefits for local residents particularly in terms of new job opportunities. The tendency of Porter's approach is to generate economic growth and assume redistribution. Productivity and competitiveness are seen to be the solution for deprived urban areas by Porter, yet they can also be seen to be the very reasons for the economic marginalisation of these areas. The pursuit of such redistribution in urban areas is difficult for a number of reasons that have been explored. Firstly, urban deprived areas' labour markets are strongly interlinked with wider labour market processes that occur at the sub-regional and regional level. The connection between labour markets creates a number of barriers for people in deprived urban areas. Such barriers are partly responsible for the limited impact in terms of job creation recorded by previous policy approaches such as the UDCs and the EZs which share, with the

CGS, a strong focus on 'unlocking the potential of the markets'. This advances further doubts about the ability of the CGS to bridge the gap between economic growth and the creation of local job opportunities.

Moreover, Porter's (1995) approach to linking economic growth with local employment creation is only limited to groups that have already certain skills and attitudes and are therefore more employable. However, given the nature and extent of deprivation in London's urban areas, the contemporary challenge for government policies is to develop policies that maximise employment opportunities for harder to reach groups. Thus, the problem is not just or solely linking economic growth with local job opportunities, but to include the most disadvantaged groups within this. Approaches attempting to stimulate entrepreneurship such as the Phoenix Fund or the experience of more holistic approaches such as the SRBs have had a limited impact in terms of job creation for the most disadvantaged groups, and other more holistic approaches (i.e. NDC) to urban deprivation have had mixed results often devoting limited resources to employment creation. In this context, the thesis investigates how in practice the emphasis on economic growth has been reconciled with the need to create local job opportunities by examining the development of the CGS. Chapter six and seven examine this particular problem by highlighting the tensions between the pursuit of economic growth and the creation of local job opportunities and assesses the merit of different ways of linking local residents with job opportunities.

This chapter discussed a range of theoretical and policy concepts related to the competitiveness of deprived urban areas. However, the detailed examination of private sector led approaches needs to be considered not just in terms of economic processes such as competitiveness, but also the political configuration which influences significantly the design and implementation of policy making in general and for urban deprived areas in particular. This is the objective of the next chapter.

### **3 GOVERNANCE IN THE UK URBAN CONTEXT**

#### **3.1 Introduction**

Key to the prominence of private sector led approaches is the ideological shift towards neo-liberalism which argues for the primacy of the private sector and market based approaches in shaping the range and content of economic development policies. Alongside this, since the 1980s, the state has experienced a significant process of re-structuring. This has been characterised by a shift of policy emphasis from the nation state to regions and cities, and the increasing involvement of different stakeholders from the private, community and voluntary sector in the process of policy making design and implementation. This part of the thesis is concerned with examining these changes and their influence on the institutional landscapes of deprived urban areas.

The chapter is divided into two sections. The first examines wider processes of change in governance before then moving on to consider how these have impacted upon the evolution of urban policy and the role of the private sector within this. The conceptual discussion is divided in three main sections. The first section examines the macro-level changes that led to the re-structuring of the state in the UK which has been conceptualised through the shift from Fordism to Post-Fordism and the associated shift from government to governance, drawing upon Regulation Theory (RT). One element symbolising this change is the rapid growth of partnership arrangements between a variety of actors which can be considered as the institutional manifestation of the shift towards governance. The second section focuses on explaining the role of partnership and draws upon the contribution of policy networks theory and resource dependency theory to examine the strengths and weaknesses of partnership as an institutional arrangement at the meso and micro-levels. Finally, given the interest of this thesis in the private sector, the last section examines the strengths and weaknesses associated with the involvement of the private sector in the partnership process, drawing upon insights from Urban Regime Theory (URT).

The second part of the chapter focuses on demonstrating how changes in governance highlighted in the conceptual discussion are interrelated with the institutional arrangements within the policy environment. The policy examples featured in the previous chapter are discussed to map the transition in the role of the state within the policy environment of deprived urban areas. Particular attention is paid to the involvement and engagement of the private sector in policy making.

### **3.2 State re-structuring: theoretical debates**

In order to discuss the key elements of state re-structuring, Regulation Theory (RT) provides a particularly useful conceptual tool for examining the changing role of the state. RT frames state re-structuring in terms of a change from Fordism to Post-Fordism. RT can be traced back to the work of Aglietta (1979) and located within the wider political economy tradition which owes its theoretical origins to Marxist views about the nature of capitalism (DiGaetano and Strom, 2003). The central tenet of RT is that economic re-structuring has been accompanied by major changes in the role of the state and new institutional structures have been created in order to respond to the crisis of capital accumulation (Jones and Ward, 2002). The economic crisis of the 1970s and early 1980s was characterised by the simultaneous presence of both high inflation and high unemployment (stagflation) (Krugman, 2007). Thus, countries could not afford large welfare state payments as the number of unemployed rose and state revenue, originating from economic activity, declined. The crisis of the welfare state and the need to face up to the significant levels of unemployment triggered key changes in the structure of the state in an attempt to re-start the process of capital accumulation. Thus, while the state under Fordism was based on the direct involvement of the state in the economy (e.g. public utilities, direct provision of public services) and a compromise at the national level between the state, the private sector and trade unions, the Post-Fordist state in the UK can be conceptually represented by the process of 'hollowing out' which involved the transfer of power to different spatial scales (e.g. supra-national, sub-national, and trans-local). In addition, in order to respond to such crisis, the Nation state initiated a process of rationalisation which

involved the introduction of market values within the functioning of the state. These changes are discussed in turn below.

**Table 3-1: The shift in the role of the state and the private sector in Britain**

	<b>Fordism/Post-Fordism</b>		<b>Development of UK state post 1979</b>	
			<b>Conservative (1979-1997)</b>	<b>New Labour (1997-)</b>
	Welfare Keynesian	Workfare Shumpeterian		
<b>Role of the state</b>	Hierarchical structure of the state (i.e. strong central government)	Decentralisation	Highly centralised system	Devolution downward (e.g. RDAs, LSPs) but still heavily centralised
	Bureaucratic	Private sector 'ethos' introduced in the functioning of government	De-regulation, privatization	Bureaucracy and regulation increased
	Demand side policies with aim to full employment	Supply side policies aimed at raising competitiveness	Supply side policies with emphasis on competitiveness	Supply side policies with emphasis on competitiveness and cohesion
	Local authority delivery of services	Introduction of private sector	Emphasis on quangos (e.g. UDC) and partnership	Increased number of quangos and even more partnerships (e.g. LSP)
	Productivity and planning	Flexibility and entrepreneurialism	Flexibility and entrepreneurialism	Flexibility and entrepreneurialism. Some strategic planning (e.g. regional economic strategies)
	Local state engaged in welfare and local infrastructure for mass production	Increasing emphasis on private sector delivery of services	Reduced/limited role of local authorities in economic development. Local delivery of national programmes (e.g. education, training, innovation etc)	More definite localisation of interest with focus on competitiveness which is thought can only be dealt with appropriately at the local scale. Some examples of a greater role given to local authorities (e.g. LEG1)
<b>Role of the private sector</b>	Compromise between public, private sector and trade unions at national level	Compromise at lower level (regional and local)	Compromise between public and private at local level, (trade unions have reduced power); power shift to private sector (e.g. UDCs)	Compromise at regional and local level
	Direct delivery of public services		Introduction of private sector ethos (e.g. CCT) and private sector delivery of public services	Continuation with private sector emphasis (e.g. Best Value) but also social enterprise, and voluntary and community organisations

Adapted and expanded from Peck (1996)

### **3.2.1 Regulation Theory and the hollowing out of the state at the local level**

One outcome of the process of the 'hollowing out' of the nation state, it is argued, is the transfer of power to sub-national and local levels which is commonly associated with a wider shift from government to governance. During Fordism, local states were characterised by the direct provision of services and operated directly under the control of central government (Jessop, 1997). However, due to processes of economic globalisation and sectoral restructuring, the regional and local states have been progressively playing a more active and direct role in the promotion of regional and local economies. Such changes have their origins in the early 1980s, at least in terms of economic policies for deprived urban areas, with the introduction of a range of partnerships and quangos. The emphasis on partnership can be interpreted as one of the key elements of the shift from government to governance in an attempt to regenerate the local economy (Jessop, 1997). Moreover, the 1980s and the 1990s saw a steady increase in partnerships as a new institution in urban governance, developing from public-private partnership in the 1980s to the involvement of other stakeholders such as the voluntary sector, in the 1990s.

The need to account for the growing importance of the regional and local dimension of economic growth led the New Labour governments to undertake a further process of state re-structuring. A further factor influencing this has been the need to 'fill in' the gaps left by processes of hollowing out (Goodwin et al, 2003). This is evident in the introduction of regional governance structures, such as the RDAs, and by the increased number of partnerships (e.g. LSPs). The composition of such partnerships has been characterised by the involvement of a growing number of individuals from the public, private, voluntary and community organisations representing different parts of civil society in order to reflect the needs of the locality (Blair, 1997). This shift also reflects the central state's inability to pursue policies that really respond to the needs of localities (Jessop, 1997).

Within this broad characterisation of the changing role of the state, there are different viewpoints as to the direction of such hollowing out and the extent to which central government can still be considered an important player in influencing policies at the local level. Thus, Jessop (1997) argues that although the Nation state is undertaking a hollowing out process, it also retains crucial political functions, particularly in terms of dealing with social conflicts and redistributive policies. Goodwin et al (2003) develop Jessop's analysis by arguing that the process of devolution in the UK has changed the control of central government over regions and localities. They argue that devolution has created uneven capacities to act, and uneven patterns of economic success and/or failure in the UK that may crucially influence the success or failure of the whole process of devolution. The new institutions that are part of the devolution process can act as both 'agents' and 'obstacles' to the strategies of the nation state and should not be seen as operating in a 'vacuum' but remain well connected with central government. Goodwin et al (2003: 17) argue that the key issue is 'the manner in which power is transferred' and point to a process of 'filling in' where the state is a changing structure, but on the whole maintains the ultimate decisional power. Thus, hollowing out can be seen as the beginning of the process of institutional restructuring, while 'filling in' can provide an understanding of the direction of these processes of restructuring and their uneven outcomes.

Peck and Tickell (1997) similarly argue that local governments have been handed over 'responsibility without power'. Localities have to comply with a regulatory framework that gives them responsibility for delivering the plans and policies of central government locally but does not give them power which is increasingly influenced and directed by the forces of deregulation and internationalisation. On the other hand, other scholars have expressed a more positive view on the restructuring of the state arguing that the state is losing power, and such loss may translate into new opportunities for creating a socially inclusive community through a growing emphasis on participatory democracy, collective participation and negotiation (Lipietz, 1997).

These differing interpretations still recognise that the Nation state maintains a key role in the economic development process in the Post-Fordist era. Within the UK



in particular, the local state still maintains close links with central government. This is compounded by increasing fragmentation resulting from the growing number of partnerships at different spatial levels of government. Whilst this could create the conditions for stronger local decision-making power, it could also cause confusion and lack of policy effectiveness and implementation. The creation of regional institutional structures, such as the RDAs, has important consequences in terms of the effectiveness of policy delivery, as co-ordination between different levels of government becomes increasingly difficult. Without such co-ordination both top down and bottom-up policies can lead to implementation failure (Jessop, 1997).

### **3.2.2 Policy networks and local governance: the meso-level**

Although RT provides a useful account of the changes in the role of the state, it operates most effectively at the macro-level, lacking in specification as to how these wider processes of change are translated into particular political arrangements and policies at the local level. Thus, for instance, RT has been criticised for not being sufficiently able to explain how decisions at city (DiGaetano and Strom, 2003) and local level are made (Cochrane, 1993). Other authors point to some explanatory weaknesses when private sector involvement is considered. For instance, Davies (2004) argues that variations in private sector involvement can be traced back to the early 1970s, prior to the start of the 'shift' from Fordism to Post-Fordism. Furthermore, RT might be seen as stressing economic explanations over political ones. Davies (2004) argued that Labour controlled local authorities have delayed the process of involvement of the private sector and the introduction of market based values in the delivery of public services. In this context, political explanations of the shift from Fordism to Post-Fordism need to be incorporated in the more general account of RT. Other scholars such as Bassett (1996) similarly criticised RT for its limited attention towards the political context and geographical scale in which partnerships evolve as well as the role of actors and organisations in defining whether or not partnerships will be a growing mechanism of local economic development (Bassett, 1996).

A policy network approach, as a meso-level approach, seeks to overcome some of these limitations. This focuses primarily on networks and institutions and how they interact, rather than analysing wider economic processes. This approach is centred upon the argument that the old dichotomy between central and local state no longer applies (Sullivan and Skelcher, 2002). Given the fragmentation and diffusion of power away from national government (as part of the hollowing out discussed above), its institutional manifestations such as devolution and decentralisation (e.g. creation of the RDAs) and the increasing emphasis on the inclusion of private, community and voluntary sectors in partnerships, conceptual approaches have focussed on 'processes' and 'networks' rather than 'structures' and 'hierarchies' (Wilson and Game, 2006). In addition, while in the past the role of local government was seen as a direct provider of public services, the multitude of actors involved in regeneration imply a new role for local government as enabler rather than provider.

**Table 3-2: Shift in focus from government to governance**

<b>Government</b>	<b>Governance</b>
Focus on the structures of the state (i.e. institutions)	Focus on the processes of governing (i.e. relationship between state actors and between these and non-state actors) attention to policies, outputs and outcomes
Bureaucratic, hierarchies, authority relations, and clear lines of accountability	Networks, partnership, bargaining which results in blurred accountability
Focus on the public sector (i.e. planning and policy making are mainly responsibility of the public sector)	Focus on a multitude of actors (private, voluntary, community, public) in the recognition that policy making involve different actors in society
Focus on providing and directing	Focus on enabling and facilitating

Source: based on Wilson and Game (2006) that elaborated on Leach and Percy-Smith (2001; p.5)

According to this vision, an account of governance needs to consider the more complex horizontal (i.e. partnership between actors at local level) and vertical relationships (i.e. multi-level governance). In this context, attention is paid on processes of governing rather than the way institutions of the state work (Wilson and Game, 2006). This recognises that the state is no longer the only major actor in policy making. Rhodes (1996) for instance introduced the 'governing without government' thesis that argued governing was increasingly dependent upon the interaction of different stakeholders removed from the influence and control of central states. Local government is seen almost as self-governing and enjoying a

greater level of autonomy from the central state. As a result, it can genuinely influence local policy making and the complex web of relationships between agencies and organisations at the local level (e.g. investors, developers, research institutes, private sector and voluntary organisations).

Yet as we have already seen, this position fails to acknowledge that the state still holds a major influence on regeneration and partnership. Stoker (2002) similarly notes that the process of policy making at the local level is significantly influenced by plans, funding and targets that are introduced and developed by central government. Thus, the central state has been experiencing a significant process of re-structuring, but retains key roles for the development of policy making at the local and regional levels.

In terms of local governance, a number of authors have argued that local authorities have changed their role from 'provider' to 'enabler' of services. Mayer (1997) argues that policy making decisions are increasingly made outside local government and refers to the development of quangos introduced by the Conservative party in the 1980s as evidence of this. However, other contributors (Imrie and Raco, 1999) emphasise that the local authority is still an important player as it holds major land use planning powers that can significantly influence the success of local initiatives. Furthermore, they argue that there has been a failure to empirically demonstrate the presence of enabling authorities. Other contributions (Leach and Percy-Smith, 2001) point out that whilst change might be taking place, this does not mean a reduced role but instead a different and more difficult role as local authorities have to set in motion a process of facilitation, bargaining and negotiation with a multitude of other actors and organisations.

Developments in governance arrangements raise a set of important issues that need to be considered further in relation to the nature and impacts of governance processes and institutions. Firstly, local authorities are characterised by a degree of openness and transparency through mechanisms such as the production of annual reports, auditing, inspection and regulation regimes. In contrast, in emerging governance arrangements accountability becomes more blurred (Wilson and Game, 2006). Secondly, it creates a debate over the nature of the democratic

process. The rise of non-elected bodies (i.e. quangos and partnerships) has somewhat diminished the power of democratically elected bodies such as local authorities (Cochrane, 1993; Wilson and Game, 2006). On the other hand, the participation of different actors could be advocated as a means to increase participatory democracy rather than diminishing it because more local actors are involved in the process of policy decision-making (Leach and Percy-Smith, 2001). Thirdly, governance may include certain actors but not others (Atkinson, 2003) and some of the research on policy networks has confirmed this tendency. Fourthly, the fragmentation involved in local governance, and the more central control of funding programmes, makes the determination of local priorities more difficult (Leach and Percy-Smith, 2001).

### **3.3 The state and the market**

Another major change that has characterised the shift towards a Post-Fordist era has been the introduction of market forces within the process of rationalisation of the state (Sullivan and Skelcher, 2002). This has taken several forms including the stimulation of markets via privatisation and financial deregulation, the introduction of a 'market ethos' within the functioning of the state signalled by the reliance on CCT (Compulsory Competitive tendering), competitive bidding for the allocation of central government funding, and the increasing involvement of private sector individuals in the design and implementation of economic development policies.

Such changes have been broadly endorsed by successive New Labour governments with a continued emphasis on processes of privatisation and the primary effectiveness of market mechanisms. The substitution of CCT with Best Value maintains an emphasis on the rationalisation and efficiency of the public sector (Leach and Percy-Smith, 2001). Despite some exceptions, such as social enterprise, this confirms an emphasis on contracting out the delivery of public services to the private sector (Harding et al, 2000). New Labour has also intensified the number of partnerships with the involvement of the private sector, although, as mentioned above, this was complemented by the involvement of voluntary and community actors. Thus, New Labour appears to be an elaboration of Thatcherism rather than

a break from it (Peck and Tickell, 2007), and can be taken as a confirmation that the Keynesian era of politically controlled markets has given way to an unstable phase of 'market driven politics' (Levy cited in Peck and Tickell, 2007).

### **3.3.1 Private sector involvement at the local level: Urban Regime Theory**

One feature of the inclusion of market values within the functioning of the state has been the increasing involvement of the private sector in the design and implementation of policy making, particularly in partnership arrangements. Private sector involvement in the UK policy-making environment has a long history which has been maintained and increased under New Labour (Harding et al, 2000; Raco, 2003).

Private sector involvement is sought for a variety of reasons. Firstly, within a partnership context, the private sector is the main driver of the economic development process, building and renovating infrastructures, and creating and preserving jobs. Secondly, the private sector can provide 'material' resources such as finance, personnel, land and buildings, while the public sector can offer 'intangible' resources such as political, regulatory and informational resources (Harding et al, 2000). Particularly in a context of reduced allocation of funding to implement economic development policies, the financial contribution of the private sector has been increasingly sought by local government (Fearnley, 2000). Thirdly, tapping into industry's expertise can produce more effective economic development policies (OECD, 2003). The private sector can help the public sector to identify gaps in enterprise support, specific training needs, and provide specific sector knowledge. Fourthly, the pursuit of the notion of partnership with an emphasis on the involvement of different stakeholders has meant that the involvement of the private sector has become a prerequisite for access to funding for regeneration (Bassett, 1996; Harding et al, 2000). As a result, local government is strongly encouraged to involve the private sector in partnership arrangements in order to access resources in a context of limited funding availability.

In order to understand more about the role of the private sector in partnership arrangements, useful insights are provided by Urban Regime Theory (URT). URT seeks to explain the mechanisms that drive the relationship between private and public sector actors at the local level. A discussion of URT is important for a number of reasons. Firstly, it provides a specific account of the interaction between private and public sector and the power relations between these two groups. Secondly, although URT has been influential on UK policy-making, it was first developed in the US, as were the City Growth Strategies, and therefore provides a useful conceptual tool to understand the strengths and limitations of transferring the CGS from the US and the UK. Thirdly, URT attempts to go beyond the elitist-pluralist debate to argue for a neo-pluralist approach (Harding, 1999; Wolman and Goldsmith, 1992) where elements of a 'shared agenda' take centre stage rather than a focus upon the differences between actors. Finally, URT is mainly concerned with forms of collaboration that lead to economic growth rather than redistribution (Harding et al, 2000) and is therefore particularly important in understanding private sector led approaches which emphasise the importance of policies pursuing economic growth.

### **3.3.2 Challenges of private sector involvement**

A key characteristic of URT is its attempt to move beyond the elitist-pluralists debate which focuses around whether businesses have a disproportionate influence over policy making or not, and emphasises the control and command of one group over another in a partnership context (Stone, 1989). URT attempts to go beyond this debate by focussing on 'civic co-operation' that:

'Brings together people based in different sectors of a community's institutional life and that enables a coalition of actors to make and support a set of governing decisions' (Stone, 1989: 8).

Thus, power in this context is not used to take control over another group, but is used to combine public and private resources to achieve social ends (Reese and Rosenfeld, 2002; Mossberger and Stoker, 2001; Dowding et al, 1999). Key to this is the argument that co-operation between private and the public sector:

‘does not imply consensus over values and beliefs but participation to realise ‘small opportunities’ (Stone cited in Mossberger and Stoker, 2001: 813).

The realisation of such ‘small opportunities’ implies the rational behaviour of each actor based on the pursuit of self-interest (DiGaetano and Strom, 2003) and will take place over time as a result of a bargaining and negotiation process (Mossberger and Stoker, 2001). However, co-operation between public and private sector is not automatic and requires effort to be established and maintained. Insights from URT point to the importance of ‘longevity’ and ‘robustness’ in constructing governing coalitions (Harding, 1999) and these are crucially dependent upon the development of trust (Stone, 1989). The latter is based on a sense of ‘common identity’ and ‘language’ which are elements strictly embedded in a given locality. In addition, trust lowers transaction costs and is therefore:

‘a more efficient way of conducting relations than are legal agreements and formal contracts’ (Stone, 1989: 5).

Thus, a local dimension and a relatively high integration of business interests is a pre-condition for sustainable regimes (John and Cole, 1998).

However, despite its contribution URT is affected by a number of general and more specific constraints that limit its applicability within the UK. Whilst URT emphasises the building of coalitions and groups not taking control, in reality businesses’ actions based on the pursuit of self-interest might lead to the hijacking of opportunities offered by public sector funding. Thus, for instance, there is evidence that private sector involvement can be skewed towards the creation of infrastructural projects from which they can directly benefit as a result of the appreciation of local land values (DTLR, 2002).

In addition, private sector agendas are not solely based on the pursuit of self-interest, but are varied and complex (Wood, 2004). On the one hand, these include short-term material interests and business opportunities, and on the other, are driven by individual business commitments to the development of the community. They vary from pure economic, profit maximisation interests to social concerns for

the well-being of the local community. Moreover, Harding (1997) found that business involvement in partnerships is driven by an opportunity to generate business either via direct contact with others (either businesses or government officials) or via influence on strategic choices that are likely to generate business opportunities in the future.

In addition, there is, implicit in the notion of public-private partnership advanced by URT, and more generally in central government policies, an assumption that actors will sacrifice their short-term individual goals in favour of a long-term societal gain. This is based on the premise that differences in motivations between actors and in particular public and private sector actors can be reconciled through negotiation. However, such negotiation is problematic. In the UK, a different culture of business involvement exists to that in the US and a high level of fragmentation of business agendas impacts negatively on the collaborative process.

This is evident in Peck's (1995) study of business élites which shows that partnerships have increasingly recruited business leaders rather than representatives of business associations to convey the needs and experiences of a number of businesses. This tendency originated in the Thatcher government which introduced a new form of corporatism based on a partnership between government and industry at the sectoral or local and firm or enterprise scales rather than the compromise at national level that characterised previous political arrangements (*ibid.*). Examples of these changes were the UDCs and TECs that were made up of business owners rather than nominees from chambers or other local employers associations. As a result, Peck argues that Thatcherism created a lower more disorganised level of business engagement with the involvement of small and often local capital.

Imrie et al (1995) highlight that the focus of coalition building has been on businesses that have financial leverage and/or political connections. However, deprived urban areas are often characterised by a high proportion of small companies who are not likely to possess influence and resources to commit to the bargaining process (Peck and Tickell, 1995). As a result, small companies are often weak players in influencing some of the significant political processes. And even if



large companies are involved, their contribution is limited to more practical issues rather than providing strategic vision as they do not fully appreciate the complex mechanisms and structures that drive local, regional and central government (ibid).

A further set of issues relate to the limited applicability of URT to the UK context. Originating in the US, URT is based on a set of context specific assumptions which have implications for its applicability in the UK. Differences in the public and private sectors in the two countries are rooted in distinct cultural and political environments. In terms of the public sector and the functioning of the state, partnerships in the UK have traditionally been led by the public sector with little participation from local business (Mossberger and Stoker, 2001). This contrasts with the US where private sector involvement, in a context of relatively weaker welfare state, has experienced stronger engagement in the development of economic development policies. In the context of policies such as the CGS which have been transferred from the US, this constitutes a fundamental problem. Moreover, the development of key notions of 'longevity' and 'trust' is problematic in the UK where the majority of partnerships are short term. As a result, the associated gains in terms of trust and lower transaction costs that improve the effectiveness of the collaborative process cannot be established.

In terms of private sector involvement, the weakness of the welfare state in the US has traditionally generated greater private sector response in economic development. In the UK, on the other hand, the private sector expects the public sector to be the central, and often, the only actor in policy design and implementation. As a result, Davies (2002) points out that although there have been changes in the last fifteen years or so with the introduction of partnership arrangements between private and public sector, there is a traditional lack of culture of community activism among many business élites in the UK.

### **3.4 Changes in the policy environment of deprived urban areas**

This section takes forward the more general and conceptual discussion of the first part of the chapter by examining the governance arrangements in deprived urban

areas, highlighting both the changes in the structures of partnership, and the extent of private sector involvement within such structures. This sets the scenes for the discussion of the position of the CGS within the wider policy making context for deprived urban areas in the UK.

### **3.4.1 Central government and public-private partnerships in the 1980s**

The UDCs and EZs in the 1980s were strictly controlled by central government. The EZs aimed at attracting mobile investment into deprived areas by granting a number of benefits to companies such as tax relief and the relaxation of planning regulation. UDCs were underpinned by a power of intervention, rather than co-ordination with other parts of government, specifically at the local level, and were resourced and staffed by the public sector (Harding et al, 2000). As Michael Heseltine (the Secretary of state at the time of the introduction of the UDCs) stated:

‘There is need for a single minded determination not possible for the local authorities concerned with their much broader responsibilities’  
(quoted in Imrie and Thomas, 1999: 4).

Thus, members of the UDCs were appointed directly by central government ministers and were therefore unaccountable to the local electorate. In practice, however, the extent of the involvement of the UDCs with local authorities and/or community groups varied considerably (Brownhill et al, 1996; Deakin and Edwards, 1993; Imrie and Thomas, 1999) and in some cases local coalitions of private sector interests opposed to UDCs were able to counteract the imposed development strategies of UDCs (Raco, 1997).

The belief in the positive effect of market forces which started in the 1980s was also evident in the involvement of private sector individuals in a number of partnerships at the strategic and delivery level. For some, the role of businesses in the UDCs appeared to have been substantial. As Peck (quoted in North et al, 2001: 830) argues:

'Businessmen are playing an increasingly important part in setting agendas for urban development. So much so that they appear to be eclipsing the role of elected councillors, who seem powerless but to endorse these agendas, albeit in the face saving language of 'partnership'.

Private sector involvement under the UDCs was secured by a focus on the self-interest of business individuals involved. The focus of the UDC on property-led development acted as a powerful mechanism for attracting many developers to these types of partnerships. In fact, under the UDC programme, 53% of total expenditure (£399m) was spent on land purchases and reclamation, whereas only 1% was spent on housing and support for the community (Imrie and Thomas, 1999). However, this meant that in practice involvement was secured only in situations in which local land values increased as a result of new infrastructural projects, while other important regeneration issues did not experience the same commitment from the private sector. Moreover, from the public sector perspective the involvement of the private sector was instrumental in order to counteract the effect of limited allocation of central government funding and maximise the impact of public sector funding for regeneration. In fact, UDCs were characterised by a clear remit to lever in as much private sector finance as possible, hence the incentive to involve the private sector was substantial.

**Table 3-3: Examples of policies for deprived urban areas in the 1980s**

	<b>EZs</b>	<b>UDCs</b>
Understanding of problem	Need to tackle high levels of unemployment. Attraction of businesses to create employment	Physical environment is poor because of industrial decline. Not enough business space
Goals	Attraction of inward investment by influencing directly the location of businesses	Attracting investment and physical regeneration into deprived areas by physical re-development
Involvement of stakeholders	None. Public sector incentives to firms	Mainly public and private sector
Private sector involvement	In delivery	High involvement of a particular type (e.g. developers)

Source: author

### **3.4.2 Local governance: public, private and third sector partnerships in the early-mid 1990s**

The introduction of City Challenge (CC) in 1991 and the Single Regeneration Budget (SRB) in 1994 signalled major changes in a variety of ways. After the

important role local authorities played under the Urban Programme up to the end of the 1970s, and their demise in the 1980s, local authorities were seen again as an active player in local regeneration policies under the CC. This reflected the recognition that only with their support could the problems of inner city areas be effectively tackled (Fearnley, 2000). However, central government also widened the number of partnerships and broadened the number of local interests participating (e.g. private sector and voluntary sector) (Rhodes et al, 2003) making in fact local authorities one of the actors rather than the main actor involved in regeneration. This major shift in the policy making environment was based on the recognition that inner city areas were affected by a wide range of economic and social issues that could only be tackled through a joined up approach involving a process of negotiation between different stakeholders. In this context, the position of local authorities changed from a position of provider to enabler of policy development.

Another major innovation was the placement of more responsibility for the management of the regeneration process on delivery agencies in order to reflect the diverse needs of different areas (Brennan et al, 1999). Enhanced flexibility enabled local government to formulate more appropriate forms of intervention and respond more quickly and effectively to needs. SRB partnerships had discretion in terms of the policy objectives they wished to pursue. Thus, bids could focus on one (e.g. crime) or on a variety of objectives. However, Rhodes et al (2003) argued that in practice bidding partnerships had to meet the policy criteria of the Government Offices that were the main funding bodies of the SRB and subsequently to the RDAs in the last two rounds, implying that the decisional autonomy of local authorities was severely restricted. A range of views from other studies (Fordham et al, 1999) reinforces the point that the SRB actually furthered centralised power. In addition, the merging of different budgets for regeneration enabled central government to exert greater control over local delivery (Dargan, 2002).

Both CC and SRBs have been criticised, as they did not offer sufficient time to produce any lasting impact on the assisted areas. The limited nature of the CC programme (five years) and the need to continuously bid for funding under the

SRB (six rounds between 1994 and 2001) created an environment that did not recognise that regeneration requires a long-term commitment. However, more positive signals come from the New Deal for Communities (NDC) which started in 1998 and was designed to operate for 10 years (Imrie and Raco, 2003). A similar feature is also found in the recent introduction of the LEGI in 2006 covering a minimum period of five years but planning to operate for 10 years (HM Treasury, 2005).

**Table 3-4: Examples of policies for deprived urban areas in the 1990s**

	<b>CC (1991-1996)</b>	<b>SRB (1995-2001)</b>
Understanding of problem	Need to tackle multiple problems of exclusion including housing, and the physical environment, crime, worklessness, health and education	Need to tackle multiple problems of exclusion including housing, and the physical environment, crime, worklessness, health and education
Goals	Social and cultural objectives alongside economic ones	Enhance the employment prospects of people in disadvantaged areas
Involvement of stakeholders	Public, private, voluntary and community	Public, private, voluntary and community
Private sector involvement	Limited, greater focus on community	Limited, greater focus on community

Source: author

CC and SRBs also showed an important difference in relation to previous approaches in terms of the process of funding allocation. This followed a process of competitive bidding in which localities had to compete in order to secure substantial central government funding. This meant that funding was allocated on the basis of ability to show value for money rather than need (Fearnley, 2000). This major shift in the rationale for the allocation of funding can be considered as another element of the introduction of a competitive market ethos in the functioning of the state.

In terms of the extent of private sector involvement, evaluations of the CC and the SRB question the effective involvement and engagement of the private sector. Local business involvement in the CC was considered as:

‘little beyond token committee representation’ (Harding and Garside, quoted in Morfe, 1999: 53).

However, an evaluation of Stratford CC by Fearnley (2000: 577) concluded that:

‘There was pressure to tackle the aspects of the strategy most likely to attract private funding’.

signalling that the involvement of the private sector was a priority in this case. In terms of the SRB, a study by Rhodes et al (2003: 1418) shows scepticism by concluding that:

‘the private sector was a reluctant lead partner and was rarely well placed to assume such a role anyway’.

These doubts about the effective involvement of the private sector were rooted in the way the process of allocation of funding functioned in the partnership context. Business involvement was a necessary prerequisite for the allocation of funding to the managing public sector organisation (Harding et al. 2000; Bassett, 1996). As Harding et al. (2000: 982) put it:

‘In practice, it would have been virtually impossible for any City Challenge or SRB programme to be successful in the competition for funding unless it was endorsed by key private sector interests and could indicate a level of business involvement within its specified projects. Thus, business involvement was critical to achieving designation’.

In practice, this meant that the presence of the private sector was needed, but once funding was secured, business interests were often quickly dismissed. A study of 10 SRB projects by the DTLR (2002) highlighted a number of other problems in involving and maintaining the engagement of the private sector. A key common problem resided in the need for the private sector to make a profit. Such objectives influenced the likelihood of participation of the private sector and its preference towards initiatives that involved business development and the increase of land values. However, there was more scope for a productive partnership when labour market issues were identified and recognised by a number of companies. Moreover, the same study stressed that the private sector was not a homogenous group because business individuals work in different sectors and could have fundamentally different agendas. Various types of participation are possible and these should be associated with the objectives of the partnership.

### **3.4.3 Local governance in New Labour from 1997**

While the emphasis on communities and voluntary sector involvement appeared at the beginning of the 1990s with City Challenge and continued with the Single Regeneration Budget, New Labour substantially increased the involvement of a wide array of different interest groups within the partnership process in order to reflect the needs of the locality (Blair, 1997). The NDC which commenced in 1998 was set out to bring together local people, voluntary and community sector organisations, public agencies, local authorities and businesses in order to focus on tackling a range of economic and social issues of deprived urban areas (CRESR, 2005). Prior programmes such as the SRB were seen to have failed to effectively involve certain groups within the targeted areas. Furthermore, another key rationale for the introduction of the NDC was the lack of local co-operation amongst agencies at the local level, and the lack of co-ordination between national, regional and local initiatives which were working in the same area, with the same client group, but not in any coherent way (ibid). Lastly, in order to reflect local priorities, flexibility in the identification of suitable projects on the ground has been a strong feature of the NDC (Dargan, 2002).

The results from the national evaluation undertaken by CRESR (2005) demonstrate a number of important points relating to the involvement of stakeholders in deprived areas. Firstly, the extent of private sector involvement in the NDC was judged as disappointing. This is not surprising as NDC funding for employment and enterprise was particularly low in relation to the other themes and similar programmes such as the SRBs (see section 3.5.2). Secondly, the NDC has effectively sought and achieved the involvement of the community, although this has been found to be expensive in terms of commitment of public resources. Thirdly, although the extent of joined up action between different local agencies improved, the lack of connection between NDC at the local level and upper levels of government this was particularly problematic. Moreover, especially in the early stages, tension between NDC and local authorities was particularly strong. This tension was rooted in two key factors. Firstly, local authorities had to balance the needs of the NDC areas with other deprived neighbourhoods, and secondly, the NDCs were found to have a particular lack of political ability and expertise.

The LEGI, introduced somewhat later in 2005, is the most recent of New Labour economic development policy aimed at deprived urban areas. It places an important emphasis on the role local authorities can play in the stimulation of enterprise growth in their area. Local authorities are given flexibility in designing a strategy for the support of enterprise in their area and its fit with regional priorities set by the RDAs. The allocation of ODPM funding has followed a bidding process tending to identify those local authorities showing a balance between need for intervention and potential for impact (HM Treasury, 2005). Whilst LEGIs give a lead role to local authorities, this is mediated through Local Area Agreements which require the involvement of the local business sector and other government bodies such as LSPs and RDAs (HM Treasury, 2005).

**Table 3-5: Examples of policies for deprived urban areas under New Labour (post-1997)**

	<b>NDC (1998-2008)</b>	<b>CGS (2001-2006)</b>	<b>LEGI (2005-)</b>
<b>Understanding of problem</b>	Need to tackle multiple problems of exclusion including housing, and the physical environment, crime, worklessness, health and education	Deprived urban areas have competitive advantages rather than disadvantages	Persistent gap in entrepreneurial activity between the most deprived areas and the rest
<b>Goals</b>	Bridge the gap between these areas and the rest of the country	Stimulating both endogenous growth (e.g. clusters) and inward investment, but mainly the former	Increase entrepreneurial activity (i.e. Start up, business growth, inward investment)
<b>Public or private sector led</b>	Strong commitment to community engagement, little private sector involvement	Private sector led	Involvement of the wider community. Partnerships are local
<b>Private sector involvement</b>	Some but involvement of other actors is more emphasised	Very high	Some but involvement of other actors is emphasised
<b>Governance</b>	In partnership with a vast array of local actors	Mainly public and private sector	Local authority to manage funding for local economic development

Source: author

#### **3.4.4 Placing the governance of CGS amongst the wider governance arrangements**

As a result of the examination of the changes in governance and private sector involvement undertaken in the previous sections, it is possible to place the CGS within the wider policy context of the UK. An attempt to achieve flexibility is a



common feature of New Labour policies, particularly in terms of considering local needs and the particular features of a locality. The CGS is no exception to this. One of its key characteristics has been the construction of a local evidence base guiding the formation of a strategy based on an empirically researched cluster of economic activities. Furthermore, the CGS was also introduced in order to tackle the problem of joined up action at the local level which has also been a feature of programmes such as the SRB and the NDC.

However, the CGS shows a peculiarity in relation to other programmes as it has not received any dedicated funding for implementation but relies on convincing other partners to fund initiatives on the basis of the merit of the strategy. This contrasts with other government programmes which have traditionally received some funding that could be used to 'lever in' other resources from various partners. This provides such programmes with a leverage (i.e. own commitment of resources) that is not present in the CGS.

A clear line of continuum is evident from the UDCs to the CGS in terms of a wider trend towards private sector involvement in a variety of regional and local government agencies such as the Regional Development Agencies, Local Strategic Partnerships and Urban Regeneration Companies. However, an important difference emerges in relation to more recent approaches (SRB) introduced by the Conservative government and New Labour approaches (NDC and LEGI) which also favour the involvement of voluntary and community groups on partnership. This demonstrates an ideological difference and a different understanding of the problems of deprived urban areas. This in part reflects the origins of the CGS as a programme of the DTI (now the Department of Business Enterprise and Regulatory Reform), whilst the other policies originate in the ODPM (now Department for Communities and Local Government). The former has a remit to take forward both agendas of competitiveness and enterprise in the UK, while the latter is more oriented towards tackling social issues in deprived areas, although it contains elements of enterprise development and employment creation. Thus, the policy landscape reflects the split in the New Labour project to take forward simultaneously both economic and social agendas, the former based on competitiveness/enterprise (e.g. CGS) originating in the DBERR and Treasury,

and the latter based on tackling social exclusion originating (e.g. NDCs) in the DGLG and Cabinet Office.

In placing the CGS within the wider policy environment, it is also important to stress the fact that it was imported and adapted from the US. Drawing on the policy transfer literature, a variety of differences is particularly apparent (see table 3.6). As mentioned earlier, the US has traditionally had a weaker welfare state which has encouraged greater involvement of the private sector in the design and implementation of economic development policies. This has also meant that economic development partnership in Europe, and within that the UK, has conventionally been led by the public sector and has been characterised by less policy autonomy from central government (Mossberger and Stoker, 2001). In addition, consumption and service issues are still predominant in Europe, while in the US there is greater attention towards economic development policies (Harding, 1997). However, a brief review of the activities of the US based Initiative for Competitive Inner Cities (ICIC), from which the CGS was transferred to the UK, has established that in some cases (i.e. Louisville and Connecticut), the involvement of the public sector was pivotal in the development of partnerships, therefore posing some questions to the effective leadership role of the private sector in relation to the CGS in the US (ICIC, 2001; Porter, 2002).

In addition, the structure of local/city government is considerably different too and carries a variety of implications in relation to the availability of funding and the likelihood of business involvement. In the US, the CGS has experienced a strong involvement of the Mayor in some of the most successful initiatives. This has meant greater allocation of funding and the involvement of high profile companies in the process. Moreover, the local state in the US has greater fiscal autonomy, particularly in relation to business rates that can be raised and spent locally. This arrangement led to a greater collaboration between local public and private sector organisations because of the positive effect of greater business activity on local public sector financial accounts and the derived ability to spend additional resources for the development of urban areas. The positive effect of greater fiscal autonomy upon the extent of collaboration between the private and public sector was recognised by the UK government that, although on a much

more limited scale, introduced a similar arrangement under the LABGI scheme (Local Authority Business Growth Incentive) in April 2005 (HM Treasury, 2007).

**Table 3-6: Differences in government structure and regulation in the two countries**

	<b>US and (ICIC)</b>	<b>UK and (CGS)</b>
<b>Ideology</b>	Greater emphasis on a market economy, weaker welfare state. Thus, lack of public sector intervention in economic development is partly counterbalanced by a greater private sector involvement	Emphasis on a market economy combined with a greater welfare state. Greater public sector involvement in economic development means that private sector involvement has traditionally been marginal
<b>Private sector</b>	Greater importance of the private sector is expected.  Identification of anchor companies (i.e. large companies).  However, evidence of strong involvement of the public sector at least in the initial stages (Louisville and Connecticut)	Private sector thinks that it is the job of the public sector to deliver regeneration. (e.g. higher taxation)
<b>Government structure</b>	Strong mayoral system  Partnership model. Longevity and robustness (i.e. regimes)  Greater fiscal autonomy at local level, thus greater public-private interdependency as business rates are collected locally and spent locally	Relatively weak mayoral system  Public/private partnership model (weak, experimental, short time span)  Limited fiscal autonomy at local level, business rates are controlled by central government, thus limited interdependency between businesses

Source: author

### 3.5 Conclusions

The theoretical position taken in this chapter is one that regards RT as an important conceptual approach in order to explain changes in the role of the state at the macro-level. However such accounts are focussed primarily on the way institutions of the state work, while other approaches, such as policy network theory, focus more directly on the processes and the complex web of horizontal and vertical relationships that become established at the meso-level.

The key debate that has emerged from the review of both theories is a continuing lack of agreement amongst scholars about the extent of shift towards new forms of governance arrangements. A more complex set of arrangements has been created as a result of the 'hollowing out' of the state, but this does not mean that central government has lost its ability to influence policy making processes at the local

level. In terms of economic development, the analysis of the UK policy environment has demonstrated changes towards a system increasingly based on a governance system characterised by the involvement of partnerships between local government the private and voluntary sector and, in the post 1997 period, the community. However, the extent to which these actors can actively shape the direction of policies independently from central government is contested. Thus, for instance, the extent to which local governance arrangements can effectively control policy making processes remains unclear.

The most recently introduced urban programme, the LEGI confirms the tendency of the Labour government to widen partnership working involving an ever greater number of stakeholders to the policy process. Whilst the intent of such arrangements is to guarantee a more pluralistic and open policy process, the effective involvement of all stakeholders is not guaranteed. As the experience of previous programmes such as the SRB and the CC and to some extent the NDC have shown, the effective involvement of the private sector has been patchy and more research needs to be done to establish the real extent of private sector involvement. What is clear, however, is that the increasing complexity of partnership arrangements might lead to a number of problems such as loss of accountability, and delays in the delivery of regeneration programmes which imply a substantial cost to the public purse. Sullivan (2002) estimated that about 5,500 partnerships operate in the UK, spending some £4.3 billion a year and involving 75,000 people as partnership board members.

Another key element has been the greater involvement of the private sector in the design and implementation of policy making at regional, sub-regional and local level (Harding et al, 2000). This chapter has analysed the partnership process and the involvement of the private sector within it by drawing on urban regime theory which focuses specifically on the relationship between private and public sector. Key principles of URT are the 'rationality' of the actors involved, longevity, trust and a common identity in order to facilitate the partnership process and the realisation of 'small opportunities'. As discussed, however, URT is more useful in describing the policy making process in the US rather than the UK. In the latter, there are a number of important issues that prevent the private sector from

engaging effectively in partnership with the public sector. The role of the private sector in shaping the design and implementation of economic development policies is uneven and incomplete, and policies emphasise different levels and types of private sector engagement. In addition, the reasons behind private sector involvement on partnerships are often not very well understood.

Finally, if the pursuit of increased competitiveness requires a more regionally or locally based response and a greater involvement of the private sector, this seems to be increasingly more difficult to obtain in a policy landscape characterised by fragmentation. This creates clear problems in the effective involvement of the private sector. Co-ordination therefore becomes paramount both at the local level and between the local and upper tiers of government. The need for joined up action between different government departments at the local level and across different levels is a key problem in delivering coherent policies, avoiding duplication and ensuring that resources are spent to maximum effect. The policy review has highlighted some of the problems recently experienced by the NDC in relation to securing joined up action between government bodies, particularly at the local level. In this context, the CGS was also seen as a mechanism to improve vertical and horizontal co-ordination between different government departments. Thus, chapter five and eight of the thesis will discuss the extent to which different government organisations have collaborated within the CGS and what strengths and weaknesses have emerged from that.

## **4 METHODOLOGY**

### **4.1 Introduction**

This chapter summarises and specifies the issues and debates emerging from chapter two and three which help to formulate the aims and research questions. Following on from this, a research framework connecting research questions with data collection methods and methodologies is discussed. The result of this exercise is the selection of two case study areas within London and the adoption of a qualitative research approach based on face-to-face interviews supported by a range of secondary material and minutes from partnership meetings to triangulate results. This is followed by a description of the process of analysis of the data collected and, finally, some critical reflections on the overall research process adopted by the study.

### **4.2 Issues and debates to be investigated**

As mentioned in the introduction, this thesis examines the themes of competitiveness and governance in deprived urban areas. Chapter two critiqued the work of Michael Porter on competitiveness by incorporating insights from neo-classical economics, and institutionalist approaches. Given the involvement of the London Development Agency as a key sponsor of the PhD and its keen interest for policy analysis, chapter three has purposefully focussed on using theoretical approaches to critique the policy implications of Porter's work. A number of key issues resulted from this analysis including the vagueness of Porter's policy prescriptions which embrace a range of policy measures that have different conceptual underpinnings. Moreover, the notion of cluster has been applied at different spatial scales with resulting problems in co-ordinating policy making efforts. This set of issues raises the problems that need to be investigated empirically in order to examine critically the translation into practice of Porter's approach to deprived urban areas.

The other key issue of Porter's model of inner city areas and private sector led approaches more generally is the tendency to concentrate on economic growth and

assume that this will automatically benefit local residents. In this respect, previous approaches to economic regeneration policy have had only had limited success. It is therefore important to assess the extent to which Porter's model and its translation into practice in the UK through the CGS is likely to have a greater impact than previous policies have demonstrated.

Chapter three examined the theme of governance by developing insights from Regulation Theory and the policy network approach. The result from the analysis is the lack of specification amongst these approaches in relation to the precise nature and extent of changes in governance. This, in practice, means that it is not clear to what extent local governance capacities permit the pursuit of autonomous economic development policies independent from central government. The CGS provides an opportunity to examine the extent of the shift in governance arrangements and its implications for local and regional governance.

In addition, chapter three demonstrated that the policy environment is characterised by an increasing number of partnership and governance arrangements which have created significant fragmentation. The need for joined up action between government bodies at the local level and across levels is paramount in order to design and implement effective economic development policies. In this context, the CGS provides an opportunity to assess to what extent joined up action between government agencies has taken place horizontally at the local level and vertically between local, regional and national levels.

A central element of the shift in governance is the greater involvement of the private sector in the design and implementation of economic development policies. The key point that emerged from the review and related examination of the policy environment is that the involvement of the private sector in economic development policies has been uneven, and of a very variable nature. These issues pose questions concerning the ability of the private sector to contribute effectively to the partnership process and the extent to which an effective partnership between the public and private sector can be created. An analysis of the CGS, which is characterised by a strong emphasis on private sector involvement, can contribute to further our understanding of the process of private sector

involvement and engagement, and its contribution to the public-private partnership process.

#### **4.3 Aims of the study**

In respect to competitiveness, the examination of a recent private sector led approach is important in order to understand how Porter's model has been translated into practice, the types of policies that have been pursued, and the extent to which benefits for local residents have been generated. In terms of governance, the examination of a private sector led approach is important in two respects. First, to improve understanding of the elements that govern the relationship between the public and private sectors in a context of greater private sector involvement in regeneration. Second, to develop a more general understanding of the process of governance with regard to the relationship between agents operating at the local level, and arrangements operating at regional and national levels.

In terms of the interrelationship of both themes, an examination of a private sector led approach provides further evidence for the interrelationship between governance and competitiveness, particularly in terms of whether greater private sector involvement and engagement can improve the design and implementation of initiatives on the ground and result in growth and prosperity for disadvantaged urban areas.

In order to develop the aims of the study into a set of research questions, a conceptual framework has been built which will be discussed in the next section.

#### **4.4 Research Questions**

In seeking to answer the central question of the thesis, can private sector led approaches provide an effective model for the regeneration of deprived urban areas within the UK?, a number of issues have emerged from the literature and policy review. These have led to the formulation of three main sub-questions:



- I. Does the Porterian model of urban competitiveness represent a basis for effective regeneration of deprived urban areas within the UK?
- II. To what extent can effective private sector engagement be achieved under current governance arrangements?
- III. In terms of policy practice, to what extent can the priorities of the public and private sectors be combined to maximise economic development outcomes?

In order to address these questions, a number of further detailed sub-questions are suggested in the next section 4.5 (table 4.1 and 4.2) followed by a discussion of the methodologies and methods used to carry out the study.

#### **4.5 The Research Framework**

The issues emerging from chapter two and three have informed aims and research questions outlined above. The research framework develops these further by relating the main research questions and sub-questions to a range of data collection methods used for empirical investigation. These are presented in table 4.1 in relation to the theme of competitiveness, and 4.2, in relation to the theme of governance. These tables mainly relate to the first two sub-questions, while the third sub-question, related to policy practice, has been incorporated in table 4.2 (point 4).

Table 4-1: Relationship between conceptual framework, questions and methods in relation to the competitiveness theme

Main question of the study: <b>Can private sector led approaches provide an effective model for the regeneration of deprived urban areas within the UK?</b>			
<b>(i) Does the Porterian model of urban competitiveness represent a basis for effective regeneration of deprived urban areas within the UK?</b>			
<b>Themes emerging from the literature and policy review</b>	<b>Research sub-questions</b>	<b>Relevance to main question</b>	<b>Data collection methods (*)</b>
<b>Conceptual and policy issues</b>			
<b>1. Porter's policy vagueness</b> <ul style="list-style-type: none"> <li>• Endogenous versus exogenous growth</li> <li>• Networks versus specific infrastructure</li> <li>• Cluster specific versus cross cutting measures</li> </ul>	What set of policies have been pursued in practice? Is the 'vagueness' of Porter's policy prescriptions evident in the policies developed?	The range of policies pursued has a direct impact on the assessment of Porter's work and private sector led approaches more generally	Face to face interviews CGS strategy documents Minutes from CGS meetings
<b>2. Different spatial scales relating to the notion of cluster</b>	To what extent the notion of cluster can be related to local areas? What policy issues arise from this? co-ordination between different levels of government?	The attempt to build local clusters is a key feature of Porter's model for inner city areas.	Face to face interviews Cluster specific studies
<b>3. Porter suggests that targeted clusters should have passed the market tests. On the other hand, he also argues that eventually all clusters should be upgraded.</b>	To what extent the evidence gathered through research have informed the decision to prioritise some clusters over others? Was this only based on the evidence presented as part of the cluster measurement exercise or based on other criteria (political, resource availability, presence of a developed governance infrastructure)?	This point takes into account of the variety of decisions that have to be made in order to develop a strategy based on competitive advantage	Face to face interviews Cluster specific studies
<b>4. Porter's approach assumes that a 'trickle down' effect will benefit local disadvantaged residents but DUAs suffer from skills and spatial mismatch as well as low wage level and lack of job security</b>	To what extent can residents in deprived urban areas benefit from these types of business led approaches?  Do those 'furthest' from the labour market benefit?	Effective regeneration needs to provide benefits for local residents	Statistical info to gather the extent of skills and spatial mismatch with case study areas Face to face interviews

Source: author

(\*) See section 4.7 for an explanation of the research method techniques listed here

Table 4-2: Relationship between conceptual framework, questions and methods in relation to the governance theme

Main question of the study: <b>Can private sector led approaches provide an effective model for the regeneration of deprived urban areas within the UK?</b>			
(ii) To what extent can effective private sector engagement be achieved under current governance arrangements?			
<b>Themes emerging from the literature and policy review</b>	<b>Research sub-questions</b>	<b>Relevance to main question</b>	<b>Data collection methods (*)</b>
<b>Conceptual and policy issues</b>			
1. Little agreement on the extent of hollowing out of the state and associated increased autonomy of local government	To what extent does the CGS provide evidence of a shift towards greater importance in the sphere of local governance?	In order to assess the effectiveness of business led regeneration approaches, the real decisional autonomy of local government needs to be assessed	Face to face interviews Minutes from CGS meetings
2. US characteristics of longevity, and systemic power are different in the UK (policy transfer implications) However, private sector involvement is not clear and the reasons behind involvement are not well understood	To what extent can public and private sectors work together to mutually reinforce each others' strengths?	The comparative element with US is important to show whether the UK model is going towards a US regime model in terms of private sector involvement	Face to face interviews Minutes from CGS meetings National events
3. Increasing fragmentation of policy making due to governance arrangements leads to problems of coordination and the need for joined up government	To what extent has the pursuit of joined up government taken place in the CGS?	Co-ordination is paramount to the effective design and implementation of economic development policies.	Face to face interviews Minutes from CGS meetings
4. Unclear autonomy and fragmentation of local governance and problems of involvement of the private sector lead to question the extent to which private and public sectors can effectively collaborate in policy practice	In terms of policy practice, to what extent can the priorities of the public and private sectors be combined to maximise economic development outcomes?	Priorities drive the outcome of the process of collaboration between private and public sector. This has a direct impact on the evaluation of the policy process of private sector led approaches	Face to face interviews Minutes from CGS meetings

Source: author

(\*) See section 4.7 for an explanation of the research method techniques listed here

#### **4.6 Approach to policy analysis**

In terms of its design, the examination of the CGS can be termed as a 'policy analysis' exercise. Policy analysis is concerned with understanding and explaining the substance of policy context and the ways in which policy decisions are made (Barrett and Fudge cited in North, 1996). There are a variety of quantitative and qualitative approaches to policy analysis. A number of models can be put forward including the 'rational comprehensive model', 'disjointed incrementalism model', and 'implementation theory'. A 'rational comprehensive model' is characterised by a strict scientific approach (positivist view) to policy making and an observable simplified version of social world. In contrast, a 'disjointed incrementalism model' attempts to develop an approach that more closely resembles reality as it takes into account continuous changes between ends and means in policy making. However, it has been criticised for reinforcing the status quo by emphasising too strongly the possibility of failure of public policies. The view emerging from this model of policy evaluation is that:

'Direct empirical investigation is all that is required for policy evaluation, and that the appropriate method of evaluating specifically local initiatives involves large-scale surveys of the recipients of assistance' (Turok, 1989: 587).

However, other authors note that social reality is not 'objective' but:

'can be constructed only by means of a conceptual system, and hence there can be no objective reality because different cultures and societies have different conceptual systems' (Feyerband quoted in Robson, 2002: 24).

Implementation theory focuses in particular on the processes by which policy is translated into action. It recognises that in practice the policy process is characterised by a clear break between formulation and implementation. This is relevant for this study as it aims to uncover the differences between theory, policy and practice particularly in relation to Porter's model, but it is also important in order to investigate the role of the private sector in the design and implementation of economic development strategies. Public and private sector actors have different conceptual systems and discourses and one of the aims of the research is to pay

greater attention to understanding 'causal mechanisms and processes' (Turok, 1989: 587) relating to this.

Implementation theory also recognises the importance of power relationships which are of central importance to this study. Where does the power lie between the public and private sector in business led regeneration approaches? Has the move towards greater business led approaches led to a significant shift in power towards the private sector? Where does the power lie within an heterogeneous private sector?

Another attribute of the implementation model is that it emphasises implementation as an outcome of a bargaining process. How does this process work in relation to the public and private sector? What are the characteristics/mechanisms that guide this process? As this approach does not view policy as 'fix' but a series of bargaining processes, it is important to uncover the characteristics of such bargaining processes and the extent to which they depend upon the agendas of the different parties (public and private). As a result, the agendas of the public sector and more crucially the private sector given its greater role need to be uncovered. Why does the private sector get involved in such initiatives?

The debate around views of social reality is also reflected in the types of methodologies adopted. In policy evaluation generally, methodologies applied tend to emphasise the rigour of analysis and focus on empirical research based on quantitative indicators (e.g. cost-benefit analysis) (Hambleton and Thomas, 1995). However, this type of analysis does not take sufficient account of the 'different perceptions of success different interest groups will have' (Hambleton and Thomas, 1995: 12).

As a result, a number of authors have developed an approach based on the idea that there is a plurality of interests amongst actors and it is important to uncover these in order to assess whether or not a policy is successful. The focus of this approach is the 'process' of policy formation. Examples of studies of this type include Oatley and Lambert (1995) and Davoudi and Healey's (1995) evaluation of

the City Challenge initiative as well as Hastings and McArthur's (1995) study of government approaches to partnership.

In order to explore these differing views of social reality, a qualitative approach based on face-to-face interviews has been identified as the most suitable as it enables the researcher to investigate the 'meanings' behind the actions of the subjects of investigation. This approach presents a number of advantages:

- The opportunity of probing the interviewee to clarify specific topics and explore new ones. As the main research questions consider issues related to 'process', a research method that enables the researcher to probe the subject of investigation and the opportunity to explore what may be new areas of research is an important asset that distinguishes it from quantitative methods (Bryman, 1988).
- Face to face contacts with the interviewee can provide an additional source of information (i.e. facial expressions when talking etc)
- Issues of conflict between private and public sector actors as well as in-depth information about the initiatives developed by the case study areas can only be uncovered through a qualitative face to face method.
- Qualitative in-depth face-to-face interviews provide the opportunity for the investigator to uncover the various forms of misinformation and evasions that are considered endemic in most social settings, including businesses (Gill and Johnson, 1997).
- Qualitative research views social reality as 'dynamic' emphasising the 'context' of research which takes into account the impact of the social environment upon the subjects involved, examining a multiple number of variables (Blaikie, 1993).
- Such a qualitative approach can be complemented by quantitative approaches. A quantitative survey would enable the researcher to make a clear assessment of sustainability based on clear indicators. These could for example measure the financial commitment of the private sector. In addition, other indicators (e.g. jobs created, businesses assisted etc.) are often used by public sector agencies to assess the success and 'value for money' of programmes and its ongoing sustainability. However, given time

and resource constraints, the researcher was not able to undertake quantitative research of this type on the necessary scale.

#### **4.7 Case study: rationale and selection**

This section addresses the reasons behind the choice of a 'case study' method and the reasons behind the selection of Haringey and City Fringe as case study areas for further investigation.

##### **4.7.1 The case study method**

The case study method offers a multiplicity of perspectives that are rooted in a number of specific contexts (Yin, 1994). A variety of perspectives arise from the variety of people being observed, in this case from public and private sector actors. The context is the introduction of the CGS and specifically the nature of the relationship between the public and private sector and the initiatives generated by them. The multiplicity of actors being observed is important in order to draw a more complete picture of the different social contexts in which actors are immersed. The research is in part explanatory and in part evaluative reflecting the associations between actors in a particular context and the effectiveness of the initiatives emerging from the collaboration between the actors involved. The suitability of 'case study' as a methodology for this research is also determined by the fact that case studies try to illuminate a process or set of processes; why they came about, how they worked, and what outcomes they produced. Moreover, they can be used to explain causal links in real life interventions that are too complex for survey or experimental strategies to capture (Yin, 1994).

However, the use of case studies as a method of enquiry is characterised by a number of weaknesses that threaten its validity. Yin (1994) highlights two main aspects of validation that are relevant for this study: construct and external validity. Construct validity is an important to narrow down the elements that may influence the research question. In order to maximise construct validity a triangulation technique was utilised. This included the collection of multiple sources of evidence such as policy documents, national statistics, and other studies that can be used as a benchmark, to create a chain of evidence, and where possible data collected

through interviews was reviewed by key informants (Yin, 1994). Triangulation is particularly important in the context of the study in order to help uncover power relations within the private and public sector members (Cochrane, 1998) and can offer advantages in generalising the findings.

External validity is based on analytical generalisation and is concerned with 'generalising a particular result to some broader theory' (Yin, 1994; p.36). One of the main critiques of case studies is the degree to which they can be generalised. Yin (1994) argues that such criticisms are based on case study research being seen as a research tool that adopts 'statistical generalisation' rather than 'analytical generalisation' in order to analyse the data produced. Analytical generalisation treats each case as an 'experiment' and not as a 'sampling unit' (ibid.). The principle is to generalise to the key elements of a theory, showing whether or not the case studies analysed respond to the key characteristics of the theories under examination.

#### **4.7.2 Selection of case studies**

The selection of the two case study areas was primarily guided by the need to understand the different experiences of the two areas and to investigate why such differences exist. The first phase in the selection of case studies was a review of CGS pilots (phase one) through the analysis of strategy documents (table 4.3). This review generated a range of key criteria which were used to select two contrasting examples:

- The influence of the LDA as a sponsor of the PhD
- Stage of advancement and number of initiatives developed
- Extent of involvement of the private sector and contrasting business size
- Geographical proximity to a thriving area
- The presence of different types of managing organisations and partnership arrangements
- The presence of different types of sectors with different levels of 'cluster' operation



A key reason influencing factor in the selection of case study areas was the role of the LDA as a sponsor of the PhD which was primarily concerned with an analysis of the CGS in London. In addition to this, the pilot study revealed that the City Fringe CGS was considered by interviewees as a successful example in relation to Heathrow and South London Central, and particularly in relation to Haringey. This success appeared to be driven by two important elements: the stage of development of initiatives and the dynamism of private sector individuals involved. In contrast, the progress of the CGS in Haringey had been hampered by internal problems of collaboration between public and private sector which was reflected in the lack of development of initiatives. The contrasting experience of Haringey and City Fringe, it was thought, would provide an important basis for comparison between apparently 'successful' and 'unsuccessful' CGS initiatives.

As one of the key questions of the study related to the collaboration between private and public sectors and the extent of engagement of the former, a further criterion of selection was the presence of the private sector on the board of the CGS in the areas selected. Both Haringey and the City Fringe appeared to have a sufficient number of private sector individuals to justify further investigation. In addition, an interesting contrast existed between the sizes of companies in the two areas. Haringey was characterised by companies employing less than fifty people, while the City Fringe included a number of very large companies. This contrast seemed to be potentially relevant in explaining the different relationship between public and private sector in the two areas.

Another criterion that guided the selection was based upon the element of close proximity to dynamic markets highlighted by Porter's (1995) model. The pilot study revealed that the majority of CGS pilot areas, including the City Fringe, benefited from close proximity to buoyant markets. However, the one exception to this was the Haringey CGS which appeared spatially more isolated from central London markets. Thus, this difference provided a further element of interest in terms of understanding how Porter's model would apply to a slightly more peripheral area.

The Haringey and City Fringe CGSs were also managed by two different types of organisation. While Haringey council was responsible for the development of the Haringey CGS, the City Fringe CGS was managed by the City Fringe Partnership<sup>1</sup> which comprises of a range of public sector organisations and private sector individuals. This provided a further element of comparison in relation to the theoretical debates on governance in at least three respects. Firstly, it provided an opportunity to examine the extent to which different public sector agencies would impact on the development of the CGS. Secondly, the involvement of the local authorities provided empirical evidence of the extent of governance changes in relation to the role of the local authority as a 'facilitator' or 'enabler' of policy making at the local level. Thirdly, it permitted examination of the extent of vertical co-ordination between the local authority and wider regional and central government structures.

Moreover, the City Fringe CGS was run by a well established public-private partnership, while in Haringey an 'ad hoc' partnership was set up with the specific purpose of taking the CGS forward. This contrast provided a further important element of comparison between the two case study areas. This seemed to be particularly important in understanding more about the different paths of development and how a longer history of partnership could lead to different conclusions in the development of the CGS.

As detailed in table 4.3, each CGS area developed a range of initiatives around a number of key clusters. This posed the problem of selecting sectors in areas which exhibited a strong spatial agglomeration as a necessary condition for the existence of a cluster. A good example of spatial agglomeration was provided by the jewellery industry in the City Fringe. This sector represented important similarities with research on agglomeration economies and the concept of cluster mentioned by Porter (2000). Thus, a study of this particular sector/cluster was seen as providing

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<sup>1</sup> The City Fringe Partnership involves a number of councillors from four different local authorities, the private sector, and other public sector bodies (e.g. BL4L) involved in the regeneration of the local area.

key insights on the dynamics of clusters and an important element of comparison in relation to other sectors/clusters analysed as part of the study.

**Table 4-3: Review of CGS strategy documents (phase one)**

	<b>Haringey</b>	<b>City Fringe</b>	<b>Heathrow</b>	<b>South London</b>	<b>Nottingham</b>	<b>Plymouth</b>	<b>St Helens</b>
<b>Private sector involvement</b>	Significant private sector representation	Significant private sector representation	Significant private sector involvement (BAA business champion), BA, BT, but involvement seems to be confined to these businesses	8 out of 16 members are from the private sector.	Mostly public sector strategy board. Two business champions	Limited contribution from business individuals	Dominated by the private sector (13 out of 16 members). Role of the public sector limited
<b>Managing organisation</b>	Haringey Council	City Fringe Partnership (*)	Southall Regeneration Partnership changed name into Heathrow City Board (*)	PLP (Pool of London Partnership) (*)	Greater Nottingham Partnership	Plymouth City Council	Council and chamber
<b>Clusters</b>	ICT, Food and Drink, Creative Industries, Clothing	Creative Industries, Financial and professional services, ICT and Media, Health, Catering, Construction	Media and Creative industries, food/catering/hospitality, logistic, environmental technologies, construction	Printing and Publishing, ICT, business services, Health, Retail	Food production, metal manufacturing and electrical goods, print, creative industries, ICT		Distribution and logistic, technical testing and R&D, leisure and tourism, furniture and furnishing
<b>Key initiatives</b>	Cross cutting skills training, business support	Cluster focussed Physical infrastructure, skills training	Entry level training, business support start up and retention	cross cutting issues and a plethora of other measures	Business crime, cross cutting issues, business support		
<b>Ad hoc board</b>	New board	Existing partnership arrangements	New board but this does not meet too often. Limited ability to stir development.	New board	Co-ordination of existing rather than new initiatives		Created a new board
<b>Spatial focus</b>	Selected wards within borough	Selected wards across different boroughs	Selected wards across different boroughs	Selected wards across different boroughs	Small inner city area	City-wide	Town facing widespread deprivation
<b>Link with local jobs?</b>	More evident in some cases	Limited in the two clusters examined	Links to Heathrow airport	Limited focus	Limited focus	Limited focus	Limited focus

Source: author; (\*) organisations traditionally managing the SRB

## **4.8 Research Methods.**

Within the selected case studies, a mixed approach was adopted combining a range of primary and secondary data sources. These different sources will be discussed in turn followed by a discussion of how these data were analysed in order to answer the research questions previously specified (table 4.1 and 4.2).

### **4.8.1 Primary sources**

The research process comprised two phases of primary data collection: a pilot study and intensive fieldwork in the selected case studies. The pilot study took place between October and November 2004 and focused upon interviews with managers engaged in the development of CGS pilots phase one in London (i.e. Haringey, City Fringe, South London Central and Heathrow). In addition, public officials from the LDA were interviewed as well as one business participating on the board of one of the pilot areas. A total of 10 face-to-face interviews were undertaken. The main aim of this exercise was to refine the research questions of the study, collect views in relation to the strengths and weaknesses of the CGS pilots, and identify suitable case study areas for further investigation. The data collected helped to focus the research questions on some specific issues, particularly in terms of the governance theme (see table 4.2).

In the second phase of intensive case study research, all field research interviews were undertaken between November 2005 and March 2006. A total of 34 in depth face-to-face interviews were carried out with a variety of representatives from public sector, delivery organisations as well as business owners/managers involved in the development of the CGS. A first set of interviewees were selected thanks to lists available on CGS strategy documents. A second group of participants were identified via a snowballing process following initial pilot interviews. With the exception of two, all interviews were tape-recorded. Five respondents were interviewed twice – the first time during the pilot study, and again as part of the fieldwork to gather the changes that the CGS experienced within the two periods. In two cases this also meant that interviewees were not affiliated with the CGS any longer as they had moved on to a different occupation. These interviews were particularly interesting as they enabled a comparison of responses before and after

involvement in the CGS. Table 4.3 shows the exact split of respondents by CGS area and type of involvement

Table 4-4: List of respondents

	Haringey CGS	City Fringe CGS
Public sector and managing organisation representatives	5	6
Private sector representatives	5	7
Organisations involved in the delivery of the CGS initiatives	3	2
Others (consultant)	1	
Total	14	15
Public sector respondents common to both areas (i.e. LDA, SBS and Treasury)	5	

Source: author

Access to respondents is a widespread problem in undertaking research generally. It is generally expected that PhD students can encounter further difficulties. In relation to this study, access was partly facilitated by the collaboration of the author with the LDA especially in accessing delivery organisations and private sector individuals.

A further problem of access was encountered due to the 'gatekeeper' role played by the managing organisations that held relevant information about further potential key individuals involved in the process of development of the CGS. Again, information about other participants was eventually made available after a lengthy process of negotiation. However, as it was thought that the information received from managing organisations might have been potentially biased, a range of snowballing and other techniques (e.g. information from published documents related to the CGS) were also adopted.

Respondents were initially contacted by phone and an appointment was arranged for a face-to-face interview to take place. The interview schedule used took the form of a range of semi-structured questions. The precise nature of the interview schedule also varied in relation to the type of respondent interviewed. However, it is possible to provide a structure of the questions that were asked to all interviewees (for a more detailed account see appendix A). Interviewees from the private sector were asked questions according to the following structure: business

profile (size, age etc), role and responsibilities of the interviewee, understanding of the role of cluster and CGS, degree of involvement and roles covered in the CGS board, relationship with the public sector, and contribution to policy implementation. The interview schedule for public sector participants was arranged according to the following structure: profile of interviewee (roles and responsibilities), policy context, cluster identification and selection, relationship with the private sector, agencies at the local and at different levels of government, development of initiatives, funding, and impact of projects. Background information about the organisation, including businesses, was reviewed before each interview and questions were modified slightly in order to take into account the respondents' sector of activity (if a business), and their particular role within the development of the CGS whether they were from public, private sector or delivery organisations. In addition, at the end of each interview important new themes were noted and incorporated in following interviews to verify their validity. This followed what Glaeser (cited in Maxwell 1996) called 'theoretical sensitivities' and refers to the need to explore further themes that seem to be pertinent to the research but not part of the initial enquiry.

#### **4.8.2 Secondary sources**

The study made use of and analysed a wide range of secondary source material. This can be classified as follows:

*Minutes from CGS meetings:* the study was able to access and collect the minutes from meetings in both case study areas. These included the minutes from CGS board meetings in Haringey, and to the Printing/Publishing as well as Jewellery sectors meetings in the City Fringe. This source of information was very useful in a variety of ways. Firstly, in order to assess the extent of participation of different private, public sector and delivery organisation actors. Secondly, minutes were useful to understand more about the various steps of development of the two areas as well as appreciating some of the difficulties of running a partnership.

However, the quality of information contained in the minutes varied substantially and relevant decisions may have not been written down and/or decided elsewhere.

In addition, for different reasons, some participants to such meetings may not externalise their opinion in a group context. To circumvent this problem, face-to-face interviews were undertaken with such individuals who may be more open in a non-group context.

*CGS strategy documents:* a range of documents in each CGS area were published to present the strategies that were to be promoted in each area. Importantly, these documents were a key part of the evidence based policy approach followed by the CGS and publicised as one of the key innovative characteristics of the CGS in relation to previous programmes. These documents contained information about the economic and social strengths and weaknesses in the form of an analysis of the competitive advantages and disadvantages of each CGS area. They also included a profile of clusters selected for support and a broad outline of the measures proposed to encourage the development of key clusters.

*Other CGS strategy documents:* this range of documents was published by a variety of sources including the Small Business Services, the London Development Agency, Treasury, and the Initiative for Competitive Inner Cities (ICIC). These documents contained information about the aims and objectives of the CGS nationally and regionally. These were particularly useful in order to understand the various steps of policy transfer from the US, thanks to the work of the ICIC, the involvement of the Treasury, SBS, and LDA at the national and regional levels in the UK. They also provided important information about the rhetoric and practice of the CGS, between the measures discussed and those implemented on the ground.

*Cluster specific documents:* this is a group of documents that underpins the publication of the main 'CGS strategy documents'. They relate to the specific clusters under examination in this study and contain information about the methodology and outcome of the research work on cluster identification. Such documents also contained a survey of businesses to provide a sense of the extent of the linkages between companies. These documents include the private sector investment plans (JSIP and PPSIP) that had been developed by each of the cluster action groups in the City Fringe. This source is discussed further in section 5.3.2.



*Statistical information:* ONS and NOMIS as well as other statistical data from the SBS Statistical Unit were gathered to provide a picture of the competitive advantages and disadvantages of the two areas (chapter six). Thus, information was collected on the economic and social profile of the two case study areas including the size and sector concentration of business activity, the extent of economic deprivation and level of skills in the local labour market. In addition, data were gathered to test some of the key propositions of Porter's (1995) model including the extent to which companies in these areas rely on nearby dynamic markets, the cost and availability of business premises, and other data in Porter's writings such as the dynamism of black and minority ethnic businesses and rate of population growth in the two case study areas.

*Area based documents:* these included statistical information on various aspects of the labour market and business activity in the two case study areas as well as information about the types of regeneration programmes that were introduced. These provided greater richness of information in the description of the economic and social aspects of the two case study areas discussed in chapter six, and included reports concerning the analysis of local property markets, and other reports containing economic and social data specific to the two case study areas.

Two *events* related to the experience of the CGS across the country were attended in order to help contextualise the findings of the two case study areas, within the broader operation of the CGS programme.

These sources of information as well as relevant '*grey literature*' were used to address some of the themes highlighted by the research framework in the last column of table. 4.1/4.2

### **4.8.3 Data analysis**

Data analysis was part of the fieldwork process. As noted above, interviews were analysed on an ongoing basis in order to enable the inclusion of new emerging themes in following interviews. A mix of open ended questions and more structured questions were used and questions were selected according to the type

of participant interviewed whether from private, public or delivery organisations and according to their level of engagement with the CGS.

At the end of the fieldwork period, interviews were fully transcribed by the author, and data collection and analysis of interviews was undertaken by separating data according to the two broad themes of this study (i.e. competitiveness and governance), case study area, and the position of the interviewee whether representing the public, private or delivery organisation. Within the public sector, a sub-classification was made according to the government level represented by the participant (i.e. local authority, RDA, SBS etc). This was done in order to account for the differences between representatives and enable a comparison of their views. Excel tables were produced to group similar data together.

Given the number of interviews to be analysed, this technique was found to be unmanageable and, NUDIST, a software package for qualitative analysis was used. NUDIST enabled the classification of information from interviews under a number of themes and sub-themes that could help with structuring the writing up of the thesis. However, one problem encountered by the author and also emerging from the wider literature on the use of NUDIST (Delaney et al, 2000) is the tendency to create an excessive range of themes and sub-themes which eventually complicated and lengthened the process of analysis of the material collected. Some problems with over-coding (Delaney et al, 2000) were faced and overcome by re-coding under different sub-themes that are reflected in the structure of descriptive and analytical chapters of the thesis.

The following stage of data analysis was characterised by a separation between description (chapters 5 and 6) and analysis (chapters 7 and 8). As Patton (1990) argues description broadly aims to answer 'how' questions, while analysis responds to 'why' questions. This was important in order to provide an understanding of the development of the CGS in the two case study areas followed by an analysis of the issues emerging from description. The theme split that runs throughout the study is maintained in the following chapters, with the theme of governance, the focus of chapters five and eight, and the theme of competitiveness, the focus of chapters six and seven. The descriptive part of the thesis was greatly helped by the available

minutes from meetings gathered from the two case study areas. These provided an accurate account of the historical development of the CGS in the two case study areas.

#### **4.9 Ethical issues**

The study ensured compliance with the Social Research Association's ethical guidelines. Efforts were also made to observe the Data Protection Act that protects participant's confidentiality, although this was not a problem given my status as a member of staff at the LDA, which provided direct access to the databases containing the details of the businesses in the sample.

Confidentiality of information was secured by the use of 'fictitious' names for business and delivery organisations participating to the study. In relation to public sector respondents, the name of organisations has been included, but confidentiality of interviewees within these has been maintained. Written consent to use the content of minutes from meetings has also been agreed with public sector organisation providers. More specific names and quotes from such documents have not been included to maintain confidentiality.

Effective research also needs to consider the issue of 'reflexivity' in which the researcher and the research process shape the collection of data. These include prior assumptions and experience (the author worked a total of four years as researcher at Middlesex University), biases, physical characteristics (the author is a 35 year old, white, male) and the relationship between the researcher and the researched. Thus, for instance, a significant number of interviews were carried out with individuals from ethnic minority groups. According to Gunaratnam (2003) the processes of racialisation and their intersections with other differences are complex. Therefore during the fieldwork the author always attempted to be reflective of his position and the relationship with the research subject.

#### 4.10 Reflexivity

Reflexivity involves the researcher's active recognition of the dynamic nature of research where one situates his/her roles, values, assumptions and social position within the context of the research and how these interact to influence the research process and its outcomes. Reflexivity is important in order to provide a more balanced account of the research process and findings and recognises that whilst it is impossible to avoid bias, reflexivity can contribute to achieve a certain degree of objectivity (Raco, 1999a). Reflexivity can encompass methodological, epistemological, and inter subjective reflection (Chamberlain, 2004; Finlay, 2002). In this broader context, this section reflects upon some of the key issues emerging from the thesis in relation to conducting research and analysing data collected.

*Problems of access:* reflecting upon the research methodology adopted for this thesis, one first issue that has emerged is that of access. This is even a greater issue in the context of research on urban governance where decision-making processes and spending priorities have been 'closed off' from public scrutiny (Raco, 1999a). The increasing fragmentation of the policy landscape through the institutional deployment of partnerships in various fields of urban policy has also created greater problems of access both at the institutional and practical (i.e. interviews) levels. In order to overcome these problems, the author presented himself as part of the LDA in the belief that this would help with increasing opportunities for access. This stem from work of Robson (2002) who considered that individuals from the same community where treated as 'insider' in that particular policy community and as a result benefited from greater opportunities for access. However, the pilot study revealed that LDA affiliation constituted a barrier as respondents felt 'under scrutiny' and could potentially refrained from answering particular questions or felt the need to be 'politically correct'. As a result, at the beginning of each interview, the position of the author as an independent researcher, the exact nature of the study (i.e. PhD rather than an evaluation of the CGS undertaken on behalf of the LDA) and the confidentiality of information provided were made clear to participants. This, was thought, would provide a more suitable relationship between interviewer and interviewee, facilitating the collection of truthful answers from the participants. At the same time, however,

this strategy introduced a new problem of how interviewees would view a representative from an academic institution. The literature on research methods examines this point at some length (Robson, 2002). In the thesis, respondents' opinions varied considerably: public sector agencies generally considered academic research and researchers as somewhat disconnected from policy and practice on the ground, whilst others seemed to recognise the role of academia to provide rigour to the evaluation and research process as a whole. However, on balance, this last problem was of little relevance in relation to the prior problem of being seen as part of an evaluation process undertaken by the LDA.

An additional problem of access reflects somewhat the issue of 'consultation fatigue' highlighted repeatedly in the literature in relation to community engagement (PMSU, 2005; Dargan, 2002 ). Generally, the more deprived the area, the more research is undertaken to examine the range of problems and solutions that can be pursued. This is further encouraged by the increasing amount of government resources spent through a variety of programmes such as the NDC and the NRF that commission a range of research work from mapping exercises through to impact evaluation of their own programmes. In practice, this posed a serious problem of access as the fieldwork for this thesis was about to start when the City Fringe Partnership (i.e. City Fringe CGS managing organisation) commissioned an evaluation of the local CGS. Unfortunately, this information was not communicated to the author in previous interviews with relevant officials and led to significant delays in an attempt to minimise potential disruption to respondents. Eventually, after extremely prolonged negotiations with the CFP and the organisation commissioned to undertake the research, as well as the LDA, the author carried out some interviews with respondents on behalf of the organisation commissioned to carry out the evaluation and combined questions from both his own study and the CFP commissioned evaluation.

*Methodological reflexivity:* some of the general reflections accompanying the research process concern the matter of 'how' knowledge is generated. This is particularly influenced by 'who' generates knowledge. In this thesis, one key issue was to understand more about the nature of private sector agendas and their extent of involvement in the partnership process. Thus, a key question the thesis

concerned the degree of self-interest of private sector agendas. The author anticipated that asking that question directly might have triggered an opportunistic response from businesses stating their absolute interest for the community or the industry at large rather than narrow self-interest. A suitable solution for this problem could not be found, so the question was asked directly and then compared with a range of other primary and secondary data collected. This exercise revealed that most business individuals answered truthfully to the question. Interestingly, a similar conclusion was also drawn by Harding et al (2000: 992) who found that 'private-sector interests are often remarkable candid, if not entirely truthful in their views about the nature of their role and their principal contacts in local politics'.

#### **4.11 Conclusions**

This chapter has developed the issues emerging from the review of literature and policy (chapter two and three) to specify the aims of the study and key research questions to be addressed. In seeking to answer these research questions, the overall qualitative research method was set out and relevant sources of data identified. A qualitative methodology based on the comparison between two case study areas was chosen as it focused on uncovering the views and perceptions of actors involved. The next four chapters provide results and analysis ensuing from the deployment of this research methodology. The first of these, chapter five, is concerned with illustrating the structures and roles of the CGS in order to provide a context for the analysis of the governance arrangements that is discussed in chapter eight.

## **5 PARTNERSHIPS IN THE TWO CGS AREAS: STRUCTURES AND ROLES**

### **5.1 Introduction**

One of the aims of this study is to understand more about the relationship between the private and public sector in the context of greater private sector involvement. One of the key elements of the City Growth Strategy (CGS) identified at the time of its introduction (SBS, 2001) and contained in a number of strategy documents (e.g. CFP, 2003b; HCGS, 2003) was the emphasis upon the private sector taking the lead, within a partnership setting, in the creation and implementation of an economic development strategy for deprived urban areas. Crucial to this is the relationship between various actors within the partnership and in particular between the private and public sector.

Following a brief introduction describing the location of the two case study areas in the context of London, attention in this chapter will focus first on examining the structure and stages of development of the partnerships in the two CGS areas to provide the context in which actors interact. Given the emphasis on the private sector taking the lead, the second part of the chapter will concentrate on the description of the roles and relationships between public and private sector with a particular focus on the latter.

The two case studies will be described separately for each of the sections, while the conclusions will compare and contrast the experience of the two areas highlighting the main similarities and differences, as well as the main points for discussion that will be subsequently analysed (see chapter seven).

### **5.2 The case studies within a London context**

The background in which the CGS case study areas are located is one of strong economic dynamism and wealth within the London economy. London is one of the few global centres for international business and it is comparable in size to many national economies. It benefits from a strong mix of agglomeration economies that make it a unique location for a variety of companies (Syrett, 2006). Over a quarter of the world's largest companies have their European headquarters in London. It is

consistently ranked as the top city in Europe because of easy access to markets, availability of qualified staff, good transport and telecommunication links (Virdee and Williams, 2003). These factors help the city to attract highly qualified workers both nationally and internationally. The employment growth of London has been consistently high since the early 1990s and has been followed by strong population growth due principally to net international in-migration (Syrett, 2006).

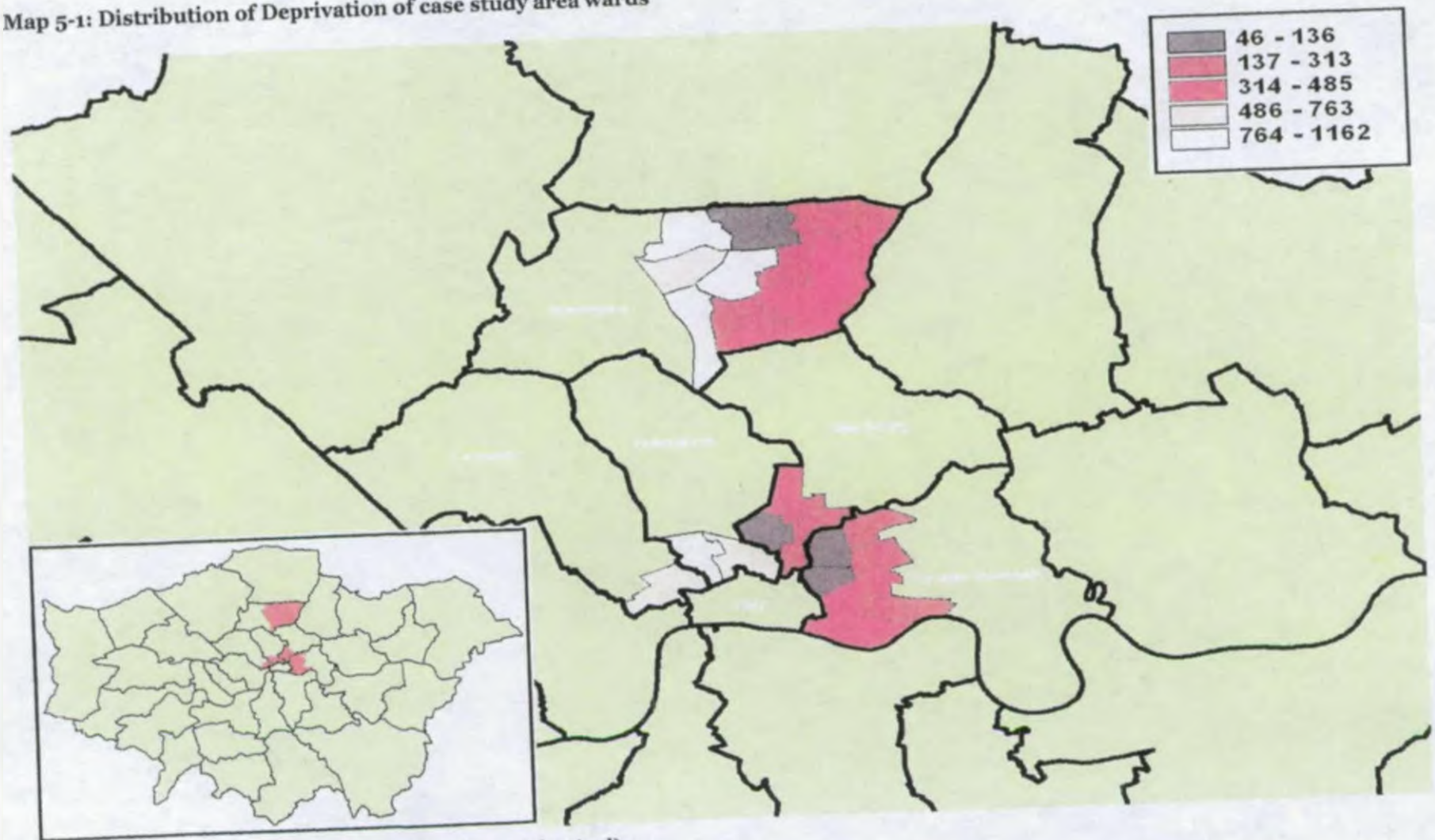
Yet, in spite of this economic dynamism, employment opportunities and wealth creation capabilities, there are some areas of London that exhibit some of the highest levels of deprivation in the country, with Haringey and the City Fringe boroughs (i.e. Camden, Islington, Hackney and Tower Hamlets) ranking 13 and 8.5 (average) respectively (where one is the most deprived district and 354 the least deprived).

In this context, the London Development Agency (LDA) is the lead agency with responsibilities for maintaining the competitiveness of the city. It was established in July 2000 and is responsible for the economic development and regeneration activity of London. It managed the Single Regeneration Budget (now merged into the Single Pot) and has a remit to work in partnership with local authorities, businesses, voluntary groups, regeneration partnerships and training institutions (Mutale and Edwards, 2002). The LDA manages phase one and two of the CGS in London.

The Haringey City Growth Strategy (Haringey CGS) area covers broadly the Eastern side of the London borough of Haringey (Map 5.1). It comprises 11 wards including Woodside, White Hart Lane, Northumberland Park, Noel Park, West Green, Bruce Grove, Tottenham Hale, Harringay, St. Ann's, Tottenham Green, and Seven Sisters. Haringey's spatial development is characterised by residential, retail, and manufacturing areas. Retail activities are widespread, although some key areas can be distinguished in this respect including Green Lanes, particularly around Wood Green, Finsbury Park, and Tottenham High Road. Manufacturing companies are mainly concentrated in areas such as the M11 Stansted Cambridge Corridor, and the Lee Valley Corridor.



Map 5-1: Distribution of Deprivation of case study area wards



Source: author; IMD 2001 (range 1-8,414 with 1 the most deprived)

The City Fringe City Growth Strategy area (City Fringe CGS) covers the area immediately North and East of the City of London (Map 5.1). It comprises 13 wards located in 4 boroughs including:

- 'Holborn and Covent Garden' in Camden;
- 'Clerkenwell' and 'Bunhill' in Islington;
- 'Hoxton', 'Haggerston' and 'De Beauvoir' in Hackney;
- 'Weavers', 'Spitalfields and Banglatown', 'St Katherine's and Wapping', 'Bethnal Green North', 'Bethnal Green South', 'Whitechapel', and 'Shadwell' in Tower Hamlets.

The City of London represents a major market and opportunity for businesses located in the City Fringe. Estimates indicate that the City procures annually around £2 billion of goods and services. The financial and professional sector accounted in the late 1990s for about 33% of London's total employment and, in 2000, 13% of London's GDP came from the square mile (CFP, 2003b). In addition, the City Fringe is located close to the Upper Lee Valley which is one of the sites of the 2012 Olympics, and is also on the doorstep of Canary Wharf, another important centre of growth in the financial sector.

Both areas exhibit high levels of deprivation. As can be seen in Map 5.1, the boroughs with a higher number of CGS wards (i.e. Hackney and Tower Hamlets) are amongst the 1% most deprived boroughs in the country with Haringey not far behind (within the 10% most deprived).

The highest level of deprivation in Haringey is found in the White Hart Lane and Northumberland Park ward where Tottenham Hotspur Stadium is located but it extends to at least other two surrounding wards (i.e. Tottenham Hale and Tottenham Green) which are part of, or very close to, the Lee Valley corridor and situated in the eastern part of Haringey.

The City Fringe CGS area is possibly the best example of where deprivation sits next to extremely wealthy areas. The Tower Hamlets ward of St Katherine's contains the most and the least deprived enumeration districts in the country (CFP, 2003b) meaning that the poorest and richest areas in the country sit next to each

other. Overall, all the City Fringe CGS wards figure at the top 15% of the 2000 Index of Multiple Deprivation (ibid.).

As a result of their deprivation, both case study areas have been recipients of a number of central government and European programmes. Over time, a substantial amount of resources have been allocated to the most deprived wards in the two case study areas. Programmes related to the stimulation of entrepreneurship and regeneration include the Neighbourhood Renewal Fund (NRF) which is allocated to the 10% most deprived local authority districts in the country. Haringey received about £44m between 2001 and 2007 under the NRF to cover the Eastern side of the borough (i.e. Tottenham) as well as Wood Green. In relation to the City Fringe, it is difficult to estimate funding allocation from NRF because of the vast arrays of partnerships operating in the different boroughs, but this has been substantial.

Another major government programme investing resources in the two case study areas is the New Deal for Communities (NDC) funded by the Neighbourhood Renewal Unit. It aims to tackle unemployment, increase educational attainment and also includes some capital and revenue funding for infrastructural development. In Haringey, Seven Sisters has been awarded £50m between 2001 and 2011. The programme has several aims including increasing employment opportunities, enterprise and training. In the City Fringe, the NDC covers the wards of Clerkenwell, Bunhill and Haggerston.

European Regional Development Funds and the European Social Fund are available to both areas and aim to assist local people into training and employment. EU funding under 'objective 2' covers most of the CGS areas in Haringey (i.e. Noel Park, West Green, Bruce Grove, Tottenham Green, Seven Sisters, Tottenham Hale, Northumberland Park, and parts of St. Ann's) and almost the whole of Hackney and Tower Hamlets in the City Fringe.

Over the years a number of Single Regeneration Budget (SRB) programme rounds have been introduced in Haringey covering the eastern and southern side of the borough and Wood Green (HCGS, 2003). In the City Fringe, a variety of

organisations have been recipients of SRB funding including the City Fringe Partnership which has been successful in various rounds.

Since April 2002, the SRB and other programmes have been grouped under the Single Programme managed by the LDA. The Single Programme focuses on a range of economic development areas including land and site development, business support and development, inward investment and business retention, skills and employment, and neighbourhood regeneration (HCGS, 2003). In Haringey, the LDA identified the Upper Lee Valley as a priority area. In the other case study area, the City Fringe partnership was awarded £35m through the Single Programme between 2003 and 2007 to develop programmes based on three themes including business development, tackling skills mismatch within the labour market, and ensuring that the City Fringe benefits from the physical development of the City of London.

Chart 5-1: The Haringey CGS and the wider institutional context (2001-2007)

**Scale**  
EU

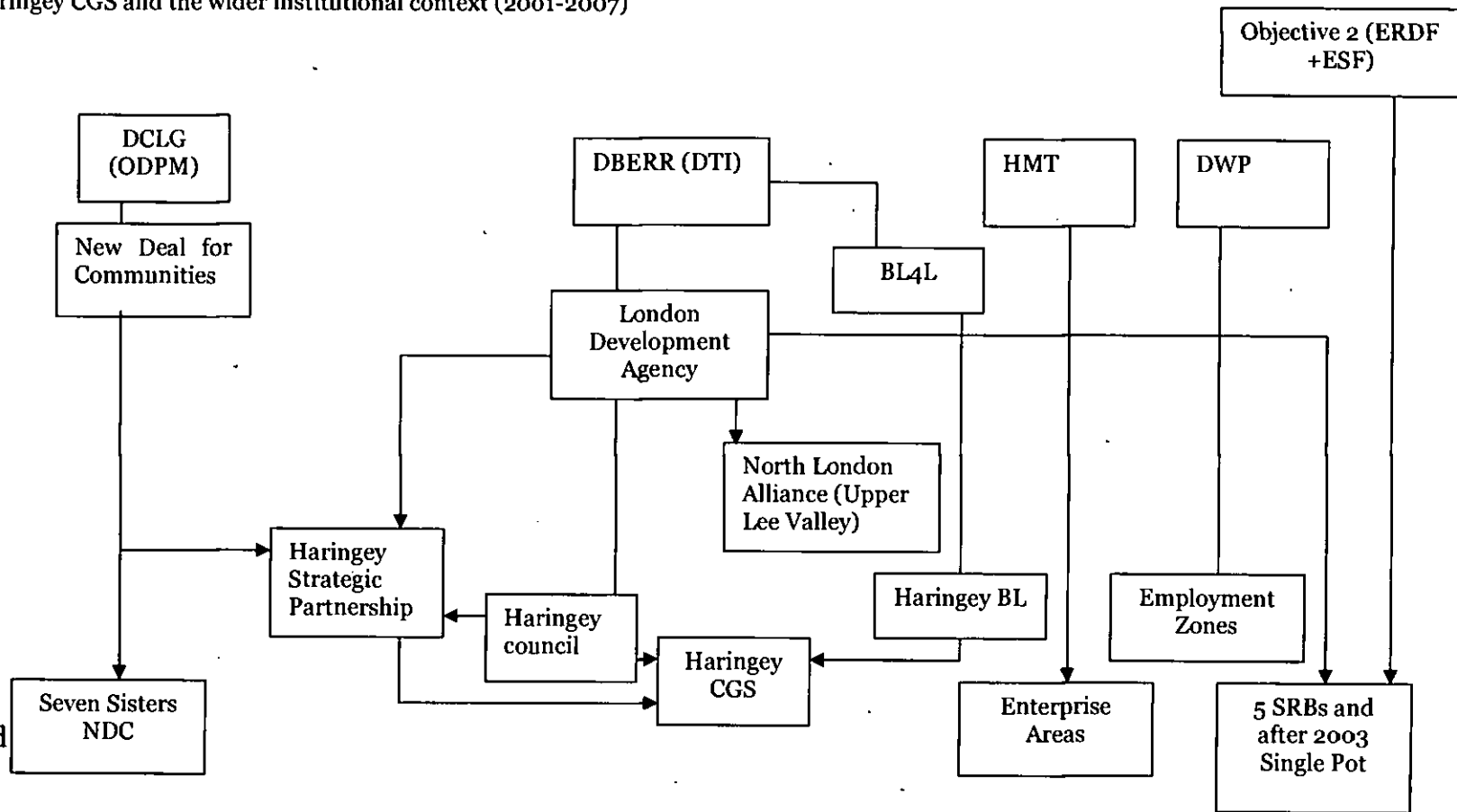
National

Regional  
London

Sub-regional

Local

Neighbourhood



**Chart 5-2: The City Fringe CGS and the wider institutional context (2001-2007)**

**Scale**  
EU

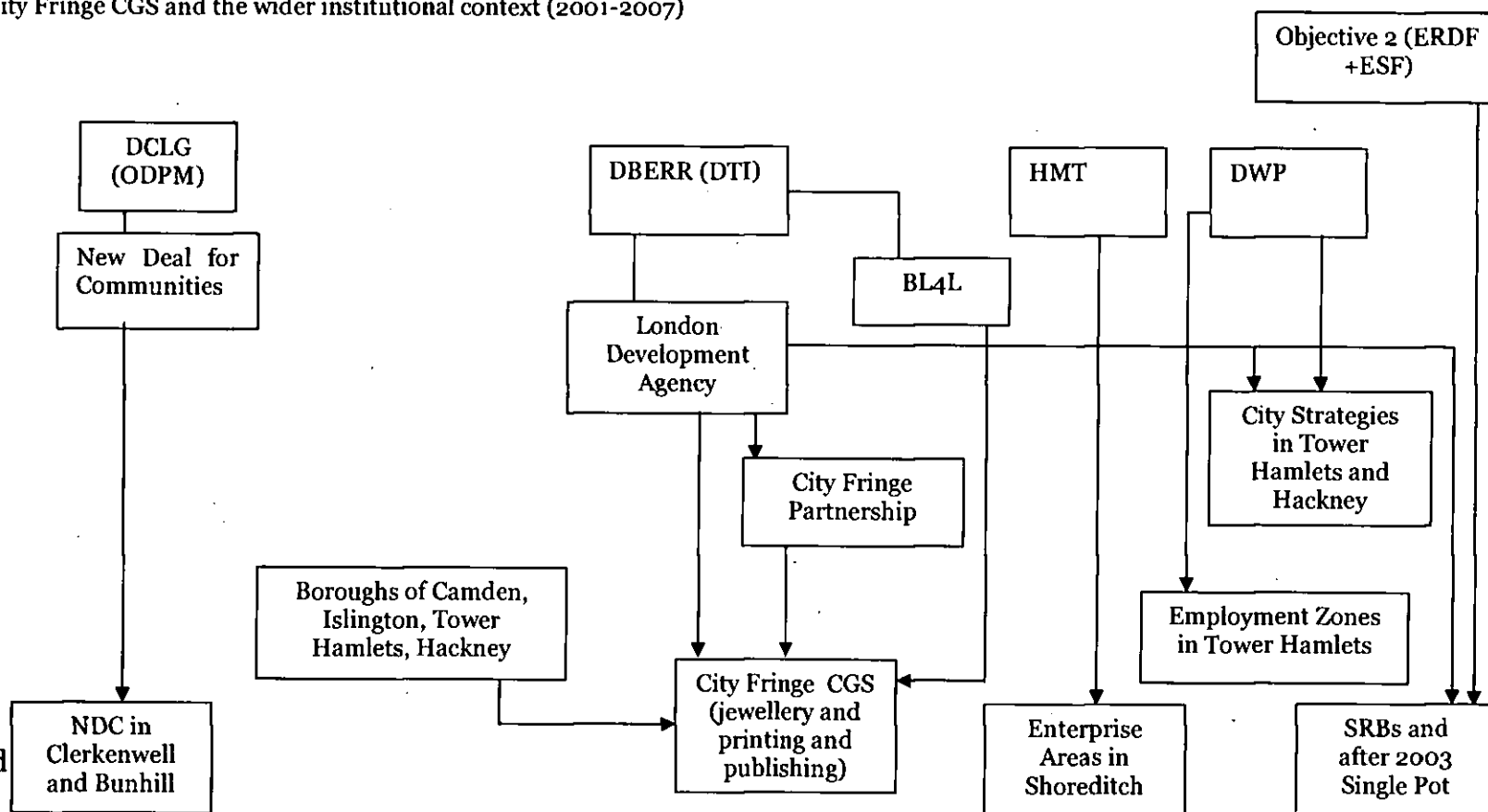
National

Regional  
London

Sub-regional

Local

Neighbourhood



### **5.3 The structure and development of the CGS in the two case study areas**

This section provides a general introduction to the two CGS areas highlighting the similarities and differences between them in terms of their structure and historical development. Common to both case study areas is the initial stage of the setting up of the CGS.

#### **5.3.1 Introduction of the CGS to the UK**

The idea of the CGS was initially brought to the UK by a Treasury civil servant following a visit to some key US locations where ICIC (Initiative for Competitive Inner Cities) work had taken place. The CGS approach was then approved by the Chancellor of the Exchequer - Gordon Brown – and, in 2001, the management of the CGS nationally was assigned to the SBS (Small Business Service) up to early 2004 when it was handed over to the consultancy company PWC (Price Waterhouse Coopers).

The initial selection of the CGS pilot areas was based on an analysis from TBR (Trend Business Research) consultancy on IDBR (Inter Departmental Business Register) data. The outcome of this was the identification of about 30 areas and an invitation to tender for inclusion in the CGS programme predominantly to the (Regional Development Agencies (RDAs), although in some cases this would include local authorities (e.g. St Helens). In London, the process of area selection was driven by the SBS's initial research, but was then complemented by the LDA. The final results were the identification of four pilot areas centred on some of the key growth poles of London such as Heathrow airport, the City of London, Upper Lee Valley and M11 Stansted corridor.

However, the LDA became aware of the CGS invitation to tender very close to the deadline for submission. As a result, the preparation of the bid was rushed and driven by additional criteria, notably the selection of individuals at a local level that were deemed to be trustworthy deliverers. As will be seen below, this caused a major problem in the Haringey CGS area.

Each of the four London pilots received funding<sup>2</sup> to undertake research around the presence of clusters and devise an appropriate strategy for their development. Thus, almost all the CGS pilots, with the notable exception of the City Fringe which made use of existing studies, commissioned some research work to inform their strategy which was then presented at the national launch event that took place in November 2003. This focus on evidence based research to inform the development of the CGS strategy was announced as a key innovative element of the CGS model in relation to past policy approaches. However, as will be discussed in the next chapter, cluster prioritisation had a lot to do with political considerations rather than empirical evidence.

### 5.3.2 Structure and development of the Haringey CGS

The selection of Haringey as a CGS pilot phase one was based on three main criteria. These included: the consistency of LDA regional priorities with SBS national priorities; the identification of a number of deprived areas within close proximity to growth areas within London; and, in line with the discussion above, the ability of local public sector officials to deliver on the strategy.

**Table 5-1: Haringey CGS participants (CGS board and Cluster Action Groups)**

<b>Strategic level</b>	<b>CGS board</b>
Managing organisation	Haringey Council
Public sector involvement on the board	London Development Agency, Haringey Council, Business Link for London
Private sector involvement on the board	Seven Sisters Hospital Services Ltd, 2XL Recruitment, MAB Associates, Alsoft Products, Diamond Build Plc, Intro-Tech Business Solutions, Thorn Hire Plc, Barclays Bank Plc, Tower Systems Furniture Ltd, Winners Food, British Telecom, TSI Voice and Data Ltd, North London Chamber of Commerce
Delivery organisations	Tottenham Green Enterprise Centre, Haringey Business Development Agency, Selby Trust
<b>Delivery level</b>	<b>Cluster Action Groups</b>
Food and Drink	Alsoft Products La Kera Mozaica restaurants
ICT	Intro-tech business solutions TSI Voice and Data Ltd Technology Centre College of North East London (CoNEL)
Creative Industries	Collage Arts Bernie Grant Centre

<sup>2</sup> Total funding allocated for each pilot was £430K of which around £185K from the SBS and about £240K from the LDA (GHK, 2003)



	Glasspainter Euroart Studios TGEC (Tottenham Green Enterprise Centre)
Clothing	London Apparel Resource Centre TGEC CoNEL Kiss Training

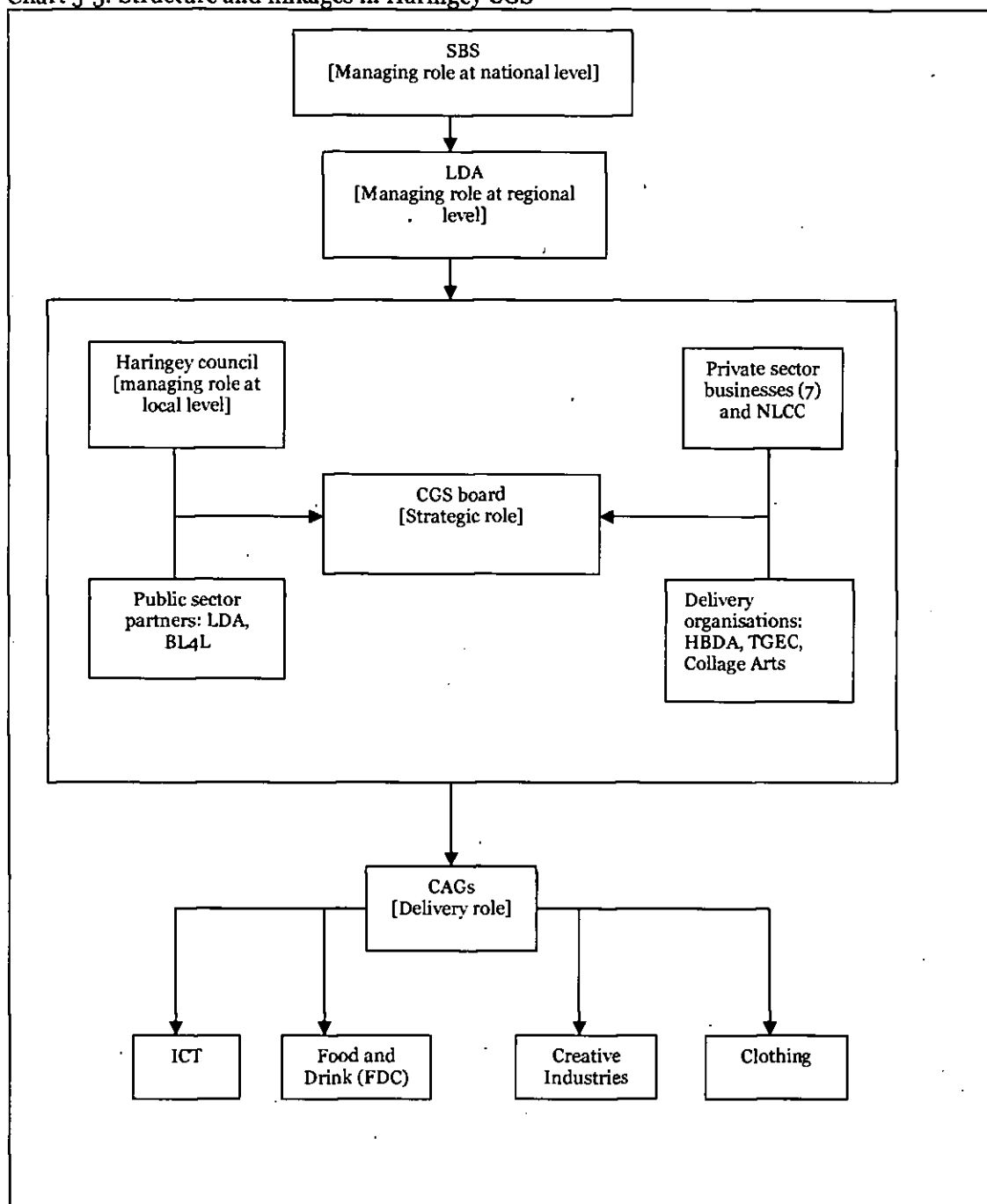
Source: author

The Haringey CGS was formally launched locally in June 2002 and Haringey Council was contracted by the LDA to manage the development of the CGS. According to the initial strategy document produced as part of the CGS (HCGS, 2003), the main responsibility of Haringey council focussed around the creation of a strategy board (CGS board) which consisted of six public sector and delivery organisation representatives and 13 businesses including a private sector representative (i.e. the chamber of commerce) (Table 5-1). However, as explained further below, the number of private sector individuals involved has been, in fact, variable in quality and quantity.

One of the main responsibilities of the board was the provision of regular feedback on research findings. As mentioned above, almost all the CGS areas commissioned research to inform the design of the CGS strategy. Thus, one of the objectives of the CGS board was to comment on the findings of such research and prioritise a number of clusters for support. The process of cluster prioritisation led to the creation of a number of CAGs (Cluster Action Groups) with the expressed objective to deliver the strategic vision of the board (chart 5-1). Four CAGs were selected comprising food and drink, ICT, creative industries and clothing. Each CAG was characterised by a mix of businesses and delivery organisation representatives and supposedly led by a business champion from the private sector with overall responsibility for the development of the cluster (HCGS, 2003). However, only two (ICT and Food and Drink) of the four CAGs were in fact led by business owners/managers (i.e. ICT, Food and Drink), while the other two (i.e. Clothing and Creative Industries) were led by delivery organisation representatives. The business champion for the ICT cluster was a small cabling company, while a restaurant owner represented the Food and Drink cluster.

LARC (London Apparel Resource Centre) was responsible for driving the clothing cluster. LARC had traditionally been working on a number of projects in two main areas including business support and training with firms located around a clothing retail park in the south of the borough. The work of LARC has been supported by a number of funding streams from Haringey council, the European Union (i.e. ERDF and EQUAL) as well as the LDA. The development of the creative industries cluster was mainly based around the work of Collage Arts (former Haringey Arts Council) and the promotion of the 'Chocolate Factory', a site containing a considerable number of companies operating in the sector. Collage Arts has been active in the creative industries for over 20 years and provides a range of services including business support, creative accredited programmes and the promotion of access to the arts for disadvantaged groups in the area.

Chart 5-3: Structure and linkages in Haringey CGS



Source: author

In order to ensure a point of contact between strategy and delivery levels, all business champions in the CAGs were also members of the CGS board. This effectively meant that each of the CGS board meetings discussed the issues that concerned all the clusters and constituted an important point for examining cross cutting themes emerging from the various CAGs. On their part, CAGs were responsible for devising a cluster action plan and to submit it to the board for

examination. After the approval of the plan from the CGS board, CAGs were then responsible for the delivery of projects on the ground.

While the research process was under way and discussions on which clusters to prioritise took place, only five businesses were involved in the process. This led some of these businesses to express concern about the balance between public, private and delivery organisations (Table 5-2).

Table 5-2: key stages of development of the HCGS

Dates	Key stages of development of the HCGS (major changes to the CGS board in bold)
<b>2001</b>	Selection of CGS areas
<b>January 2002</b>	National introduction of CGS (CGS areas selected)
<b>2002</b>	Initial £150K from LDA to undertake cluster research in the area
<b>June 2002</b>	<b>Official launch of CGS in Haringey. A variety of public and delivery agencies but only 5 businesses on the board</b>
January 2003	PACEC survey of firms
July 2003	Concerns expressed about the composition and effectiveness of the CGS board
August 2003	PACEC Action Plan
September 2003	Submission of CG strategy document and action plan
<b>November 2003</b>	<b>National launch of CGS</b>
November 2003	Disagreement between businesses and HC. Changes to board proposed
<b>December 2003</b>	<b>Restructuring of CGS board and internal election of a new chair. Smaller board and higher private sector representation. CAGs start their delivery work</b>
March 2004	Deadline for final action plan approval and implementation with periodical updates from CAGs.
Summer 2004	Additional £200/220K from the LDA to develop two clusters (i.e. ICT and Food and Drink)
May 2005	Chair resigns from board, LDA concerns about achievements of CGS
<b>September 2005</b>	<b>Re-structuring of the board and CAGs, change management agency (North London Ltd), and mission of the CGS.</b>
February 2006	Recruitment of an implementation manager to work at North London Ltd
March 2006	Scheduled launch of new CGS board
April 2006	Scheduled new action plan
<b>December 2006</b>	Original deadline for implementation
March 2006	Support from SBS ends. All CGS continue with alternative funding

Source: author

However, steps to correct this problem were not taken until the national launch of the strategy, with the publication of the strategy document and action plan (November 2003). In December 2003, the CGS board finally undertook a process of restructuring with the election of a new chair and the alleged increase of private sector representation. In reality, private sector participation remained broadly the same and did not include any new private sector members. What occurred, however, was a reduction in the number of delivery organisations, which led to a

redressing of the balance between the private sector on one hand, and public/delivery organisations on the other. A more detailed discussion of the role of the private sector will follow in section 5.4.1.

This period was followed by an additional investment from the LDA (about £200K) which facilitated the development of some initiatives in the ICT, and food and drink clusters, to stimulate networking and promoting the cluster to new members, as well as some business support for Food and Drink firms in relation to hygiene and health.

However, after a period of just over a year, in September 2005, the LDA manifested increasing concerns about the achievements of the CGS and decided to commission an external consultant (i.e. EDAW) to radically restructure the CGS board, CAGs and working mechanisms as well as the mission of the strategy. As one participant observed:

*I think it was going along those lines [i.e. public sector led board], but I think the LDA have taken it by the scruff of its neck. And it said it really has to be led by businesses to identify their needs (DO1).*

The plans for the new board included a major emphasis on large businesses (e.g. IKEA, Post Office etc), the involvement of Haringey Council as a partner rather than as a managing organisation (the new managing organisation became North London Ltd), the shift in geographical focus from Haringey to a more sub-regional level (i.e. North London) and the constitution of new CAGs and new business champions for each cluster. As one respondent pointed out, the new action plan is also fundamentally different in terms of a more explicit focus on the planned housing growth in the Tottenham Hale area and, as a consequence, the promotion of new clusters, such as a personal services cluster to serve the new local residents.

### **5.3.3 Structure and development of the City Fringe CGS**

The close proximity of the City Fringe area to the City of London, the connection between the LDA and the CFP (City Fringe Partnership) and the City Fringe being a chosen priority area for the LDA, were all factors contributing to the choice of the LDA to involve the City Fringe as a CGS pilot. Proximity to the City of London

represents a formidable market from which businesses located in the City Fringe can provide a number of important benefits in terms of market access, and the opportunity for local residents to access job opportunities in the City. The CFP was seen as the best suited candidate. Since 1996, the date of its establishment, it had been focussing on promoting economic growth and tackling social exclusion by attempting to maximise the benefits of its proximity to the City of London.

The choice to include the City Fringe as a priority area within the LDA managed Single Programme in 2001, and the subsequent allocation to CFP of about £35m to be spent between 2003 and 2007, is another important reason for the selection of the City Fringe as a CGS pilot area. As one respondent from the City Fringe put it:

*What the LDA did, they tried to marry up the priority areas they have identified with the CGS areas (CFP2).*

It is also important to remember that the CFP had a previous recognised track record. It was established by the City of London Corporation, the London Borough of Islington, Hackney, and Tower Hamlets to promote economic growth and tackle social exclusion. As one respondent revealed:

*There were identified clusters, there was a history of working with the sectors there. Other areas have not had that (LDA4).*

Initially funded through the Single Regeneration Budget (Round 2) in 1996, the CFP focussed on alleviating economic deprivation via a number of regeneration audits on labour market, business base and the property market and conducted a number of projects (CFP, 2003b). In 1999, the CFP secured another round of SRB funding (round 4) and in this period, the London Borough of Camden joined the partnership. The contemporary work of the CFP focuses on three main areas. Firstly, business development which includes the support of SMEs in key sectors via the provision of business support, affordable workspace, and facilitating access to finance. Secondly, improving access to employment for City Fringe residents particularly by matching local demand and supply of labour. Thirdly, maximising the benefits to local communities of the expansion of the City of London and its financial and professional service cluster and influencing the location of large physical development projects.

This study as well as the national evaluation of the CGS conducted by GHK (2003), found that the City Fringe developed a unique structure that is not shared by other CGS pilots phase 1 or phase 2 in London and nationally. The City Fringe CGS included a more general board which coincided with the existing CFP board and oversaw the Single Programme funding pot. The CFP was intended to include five private sector representatives from key sectors in the area as well as councillor representation from the four London boroughs (i.e. Camden, Islington, Hackney, and Tower Hamlets) and representatives from the Corporation of London, the Goldsmith's Companies, the Labour and Skills Council, and the LDA as an observer. However, out of the five intended private sector members only two at the time of data collection sat on the board, although more recently two additional private sector members have been appointed.

The influence of the CFP board on the CGS is not clear. On the one hand, the role of the CFP board seemed to exert a significant influence over the CGS in terms of deciding which projects would obtain funding, presumably on the basis that these reflected the economic as well as social orientation of the CFP. As one respondent from the CFP put it, the role of the board was

*effectively deciding on the interventions that should be funded, not the nature of those, the industry decide on the nature of the interventions [...] but the role of the board is to assess individual project applications against a series of matrix or questions that we have set-up as part of our system here (CFP3).*

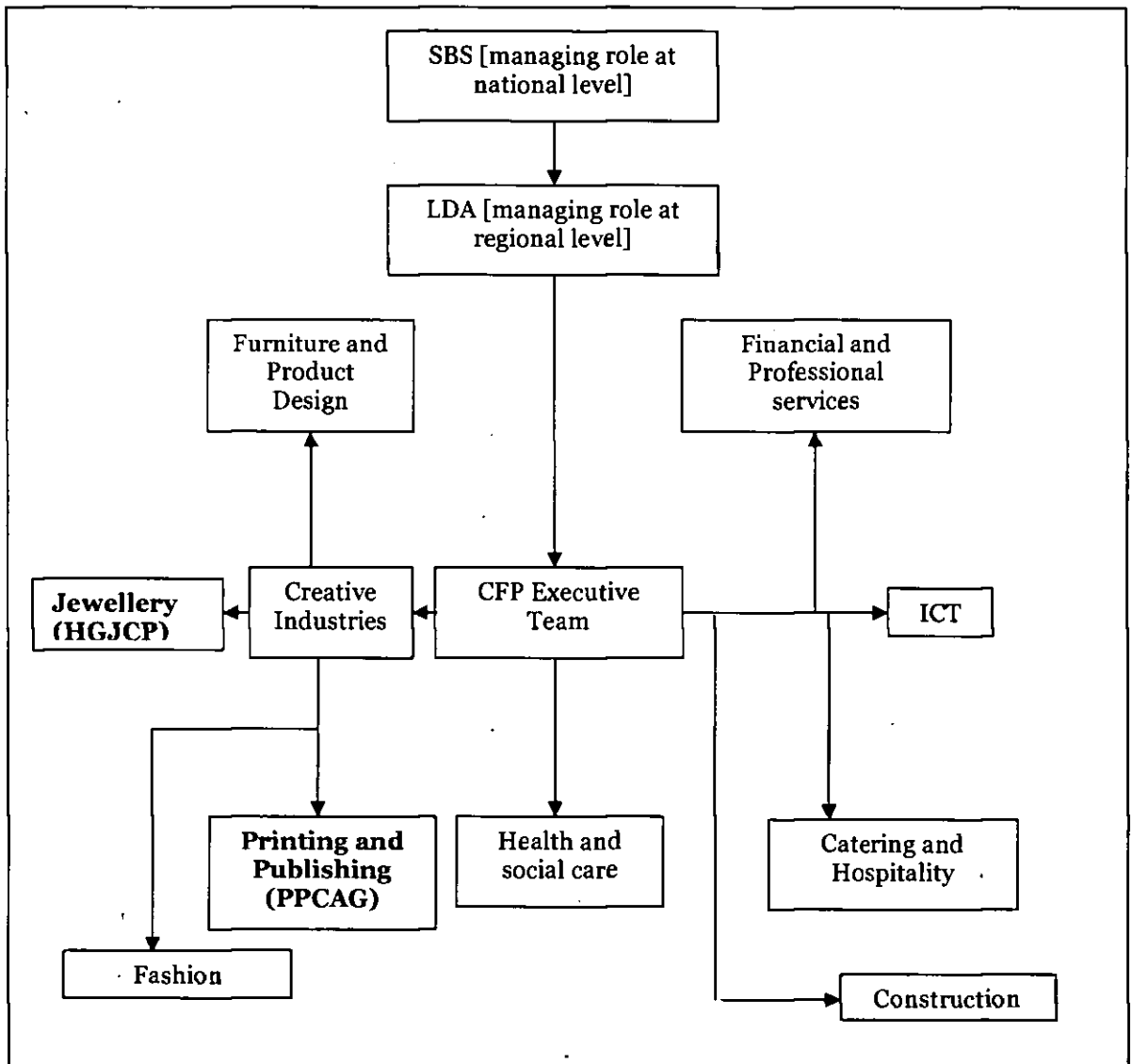
However, other evidence suggests that the role of the CFP board was somewhat more detached. As the same respondent observed later, the board:

*will oversee the commissioning process, they won't decide what we should commission but they will oversee the commissioning process and they will provide a check and balance on behalf of the private sector to make sure that the funds allocated, are appropriate, and fair (CFP3).*

This last comment reveals that the role of the CFP board in the case of the CGS is merely one of overseeing the commissioning process rather than discriminating between projects.

In addition, these comments indirectly put a strong emphasis on the role of the CAGs that decide the nature of the projects put forward and, in collaboration with the CFP Executive Team, the selection of such projects. The prominent role played by CAGs in deciding the development of the strategy for their industry coupled with the focus of the study on understanding the relationship between private and public sectors partnership led to focussing the empirical investigation on selected CAGs.

Chart 5-4: Structure and linkages in the City Fringe CGS



Source: author

The number of CAGs prioritised for support varied slightly over time (Chart 5-4). Initially, nine clusters were selected including Furniture and product design, Jewellery, Print and Publishing, Fashion, Catering and Hospitality, Financial and



Professional Services, ICT, and Construction. At a later date, however, the last three of these were dropped and, at the time of fieldwork, only two clusters (i.e. Jewellery and Print and Publishing) included a significant number of private sector members and showed a significant stage of development to justify further enquiry. As a result, the study selected the Jewellery and the Printing and Publishing sectors for a more detailed investigation with their associated partnerships including the Hatton Garden Jewellery Centre Partnership (HGJCP), and the Printing and Publishing Cluster Action Group (PPCAG).

The HGJCP was made up of 5 private sector companies, and 4 public sector and delivery organisations, while the PPCAG included about 5 companies and 7 public sector and delivery organisations (Table 5-3). However, as discussed below (sec. 5.5.2.1), the precise role of private, public and delivery organisations is not always clear, and it is difficult to classify their status in terms of public or private sectors.

Table 5-3: CGS participants in the CFCGS

Strategic level	CGS board
Managing organisation	City Fringe Partnership Executive Team
<b>Strategic level</b>	<b>CFP board</b>
Public sector representatives on the CFP board	LSCs, councillors from Camden, Islington, Hackney, and Tower Hamlets, LDA (observer), BL4L
Private sector representatives on the CFP board	Drivers Jonas, Deutsche Bank
Others	Corporation of London, Goldsmiths' Companies
<b>Delivery level</b>	<b>Cluster Action Groups</b>
	<b>HGJCP (Hatton Garden Jewellery Centre Partnership)</b>
Private sector	R. Holt and Company, Johnson Matthey Plc, Diamond Trading Company (DTC), Cooksons, Goldsmiths' Companies
Public and delivery agencies	CFP Executive Team, Cockpit Arts, London Borough of Camden, English Heritage
	<b>PPCAG (Printing and Publishing Cluster Action Group)</b>
Private sector	SM Print Solutions, Petersham Publishing, HenDi Group, St Ives Direct, Kopycat Printing
Public and delivery agencies	CFP Executive Team, BL4L, GPMU/Amicus, Spitalfields Print and Design Network (SPDN), Ethnic Minority Enterprise Project (EMEP), BPIF (British Printing Industry Federation), Vision in Print

Source: author

The work of the City Fringe CGS was based around the creation of private sector investment plans that responded to the needs of the private sector involved in the partnership process and devised to guide the process of development of each

cluster. This was intended to secure a better match between projects and the needs of the private sector to ensure best value for the development of the strategy. Over time, this would also create the conditions to maximise private sector financial investment that in turn would contribute to the development of sustainable business and training support services. The jewellery sector investment plan was the result of extensive consultation (via focus groups and face to face interviews) with local businesses operating at different stages of the supply chain. The Printing and Publishing sector investment plan was less detailed and was as a result of the introduction of the CGS rather than informing it.

Such a difference can be explained in the fact that the two CAGs were rooted in two different historical developments of the partnership in the two sectors (Table 5-4). Although both private sector investment plans have been published in 2005, the work related to the production of the jewellery sector investment plan started much earlier than the printing and publishing sector investment plan which was instead a direct outcome of the introduction of the CGS in 2001, but only developed fully in 2003 after the national launch of the CGS.

A range of evidence shows that the earlier engagement of the jewellery sector contributed significantly to the creation of the Jewellery sector investment plan. The HGJCP had a vision and a clear set of objectives before the introduction of the CGS. The name of the partnership 'Hatton Garden Jewellery Centre Partnership' was never changed even with the introduction of the CGS and reflected the key objective of the partnership which was to establish a jewellery visitor centre. This dates back to as early as June 2001 alongside the development of training courses by some members of the partnership which also took place in 2002 (e.g. Diamond Trading Company training courses). The creation of a jewellery visitor centre had three main aims: firstly, to attract additional customers to Hatton Garden; secondly, to provide incubation facilities for new businesses and, thirdly, to provide an education and training facility. In addition, the recruitment of a development officer with the key remit to find a suitable site for the creation of a visitor centre for the jewellery cluster in Hatton Garden took place prior to the introduction of the CGS, and thus, demonstrates once again that this partnership was well established when the CGS was introduced. Over time and thanks to the

contribution of the CGS, the role of the development officer widened to include all the aspects of the creation of the JSIP.

Table 5-4: Key stages of development of Cluster Action Groups in the City Fringe CGS

Dates	Hatton Garden Jewellery Centre Partnership (HGJCP)	Printing and Publishing cluster action group (PPCAG)
1999	Increased attention towards the jewellery sector	
2000	Hatton Garden Jewellery Centre Partnership established to develop a plan for a dedicated jewellery visitor centre.	
2001	Selection of CGS areas	Selection of CGS areas
2001	Competitiveness analysis of the UK Jewellery Sector that contributed to put the jewellery sector as a priority for support	
June 2001	Launch of business plan mainly aiming at developing visitor centre	
January 2002	National introduction of CGS (selection of CGS areas)	
2002	New training and support initiatives (DTC course)	Business audit shows that the sector is still strongly represented
May 2003	Recruitment of HG Development Officer	
April 2003	Work started on one site to be developed to represent jewellery industry	
November 2003	CGS national launch. Presentation of strategy and action plan	National launch of CGS. CGS strategy document emphasises the employment importance of print and publishing and, as a result, the BOP report is commissioned
September 2004	Focus groups with 30 companies in order to help developing a jewellery sector investment plan	
November 2004	Presentation of the plan to about 100 local businesses	
December 2004	Establishment of a JSIP steering group with representatives from the industry at large (not just HG)	Launch of BOP report
January 2005		First meeting of PPCAG working on a development of a Sector Investment Plan (SIP)
October 2005	Publication of the JSIP	ERDF funding for business support and improvement of environmental quality of printing companies
April 2006		Funding for a development manager to implement PPSIP
2006	Creation of the New London Group comprising of key business leaders across London	
2006	JSIP secured £3m from the LDA	Implementation stage. Over £1m to be spent by 2009
March 2006	Support from SBS ends. All CGS continue with alternative funding	

Source: author

The most recent developments of the work on the Jewellery industry include the creation of a new London wide partnership (i.e. New London Group). This aims to involve key leaders across the industry to assess the vision of the jewellery sector investment plan and secure that implementation is consistent with initial objectives. At the time of writing, the development of the New London Group was under way with an open invitation to potential candidates across the industry to participate. In addition, the submission of the jewellery sector investment plan to the LDA led to the allocation of £3m to be spent across three years.

In contrast, the creation of the PPCAG was a direct outcome of the CGS. The national launch of the CGS with the presentation of strategy documents from all the phase one pilots was followed in this case by the commissioning of a report (i.e. BOP, 2004) which investigated the needs of companies operating in the sector within the City Fringe area. The report formed the basis for the creation of a public/private partnership (i.e. PPCAG) with the remit of developing a printing and publishing private sector investment plan and overseeing its implementation. The work of the PPCAG around the creation of the printing and publishing private sector investment plan started in January 2005, followed by a submission of a plan for ERDF (European Regional Development Fund) funding which was approved in October 2005. This enabled the partnership to allocate £1m to be spent by 2009 and, alongside this, the recruitment of a development manager with specific competence in the printing and publishing industry responsible for the management and implementation of the plan.

## **5.4 Partnership arrangements in the two case study areas**

### **5.4.1 Partnership arrangements in the Haringey CGS**

#### **5.4.1.1 The role of the private sector in the Haringey CGS**

The recruitment of individuals to the CGS board and CAGs was led by Haringey Council who was responsible for identifying suitable private sector and delivery organisation representatives, and to create the structure for a business led board. Although a framework for the selection of private sector members was not provided, key characteristics of individuals included diversity in terms of

ethnicity/gender, equal peer level between members, a mix of businesses (large, small, industry associations and delivery agencies) and a group that could be small and manageable (ICIC, 2003). Overall, businesses involved were small in size, the largest employed about 75 staff.

Although ethnic representation and mix of businesses by sector and size was somewhat in line with ICIC's recommendations, in the initial stages up to 2003, the size of the board was significant (about 30 members) but did not consist of significant business representation. Instead, the board was composed of a significant number of public sector and delivery organisations. Table 5-5 illustrates with quotes the opinion of interviewees across different public, private sector and delivery organisations in relation to the unbalanced mix of actors on the partnership highlighting that, in practice, the main requirement of a business led board was not satisfied.

Table 5-5: Quotes from participants in relation to the involvement of the private sector to the Haringey CGS

Quotes from participants	
<b>Con H</b>	The actual private sector involvement was completely zero basically
<b>Bus H1</b>	You sit around the table with 30 odd people there and there is probably 3-4 or 5 businesses there
<b>DOH1</b>	When it started out the HCGS was supposed to be led by the private sector but I think the way it was evolving was more public sector led because it was more influenced by the public side of things. There is no issues per se. the Local authority were driving it, the business representation was not as strong as it should have been
<b>DOH4</b>	There was no involvement no engagement [...] it was at a distance, but they weren't engaged with the process. In the main it was stocked up by public, local authority people
<b>Bus H4</b>	It was more council led
<b>HC2</b>	They [LDA] commissioned consultancy EDAW to put together an implementation plan for HCG and also completely restructured the board and to look at the ways the board operates. To recruit new people to the board and to kind of lose some of the business support agencies membership that was on the board and to get more purely business people.

Source: author

A second stage of development of the CGS started in July 2003 when some businesses manifested their concerns about the composition of the CGS board characterised by strong local authority influence, a disproportionate number of delivery agencies and a very limited number of business individuals represented on the board. Alongside businesses, the LDA showed increasing concern for what was

happening and intervened to try to re-establish a board with a more balanced number of businesses representation.

Although a process of restructuring formally took place in December 2003, this was not very effective with a remaining majority of public and delivery agencies and limited contribution of individuals coming from the private sector. This situation was echoed by the view of businesses (table 5.5) and recognised by Haringey council. As one of its officials pointed out:

*We needed to look at who is sitting on the board, there were far too many public sector people and not enough pure businesses (HC2).*

Beyond the issue related to the unbalanced mix between actors in the partnership, some criticism emerged about the selection criteria adopted to recruit private sector individuals on the board. A public sector official felt that not enough effort was placed on locating the best possible private sector candidate but rather choice was made on the basis of manifested interest from participants and quick operational effectiveness. As one of the participants summarised:

*We just got businesses that said they would be interested in participating and we thought 'great' that is one thing we can cross off our list without looking at the pragmatism of those businesses that are going to be there (Public H1).*

In addition, the selection of board members was undertaken without much explanation of the nature and objectives of the CGS and the extent of commitment needed from the private sector, but rather by inviting people to a meeting. As a Haringey official explained:

*I mean when it comes to these boards, it is the usual suspects, somebody phones you up and says we meet at [...] would you like to join the CG board [...] so I'm sitting in front of people in December who are supposed to have been on this City Growth board since June, who haven't got a clue what is they have signed up to (HC3).*

Projects presented to the CGS board were either existing projects that were expecting approval or new projects created by members of the board or CAGs. In terms of the former, the private sector was called upon to judge the merits of

existing programmes and offer their advice. Thus, such projects had already been introduced by other public sector organisations or delivery organisations such as LARC and Collage Arts. This would produce some criticisms amongst the businesses and some of the delivery organisations involved in the study. As one business pointed out:

*A lot of the stuff that was presented to the LDA was historic things like the Bernie Grant Centre. It has been going for bloody ever. And we have done this, and we have done the other when really it had been done before but you are sneaking in as a sort of achievement (Bus H1)*

and

*They are mixing up other projects and results and putting under this (CGS) heading. This has been approved by the CGS so it must be good (Bus H1)*

Another respondent was even more specific in criticising the council:

*So it was quite easy to sort of say there were five regeneration projects taking place in that area being run by different council department. They would then put those in as expenditure lines of City Growth so it was double counting effectively (DOH4).*

In more extreme cases, some members made use of the CGS to bid for funding without authorisation from the board. As one business respondent pointed out:

*...because, [name of member of the board and CAG] is putting in tenders in to the LDA for projects that CGS was putting tenders in for [...] without telling us (BusH1).*

And, at least in one instance, Haringey council prepared a bid in order to attract funding for the continuation of existing projects without the consultation of CGS members because the deadline did not allow for the presentation of such projects to the CGS board.

Although in most cases initiatives pre-dated the introduction of the CGS, some projects were introduced as a result of ideas and proposals originating from the private sector participants or as a result of debate within the board or CAGs. As

will be examined in more detail in the next chapter (section 6.2.1), an initiative concerning the provision of cabling training in the ICT cluster required a significant effort from the council and was assessed very positively by a business respondent:

*[HC consultant A] did some good work and also say that [HC consultant B] was very competent at what she undertook (BusH5).*

#### **5.4.1.2 Private sector agendas in the Haringey CGS**

The previous section established that the involvement of the private sector as well as its engagement were limited. This section focuses on the reasons that motivated businesses to become involved and maintain their commitment to the development of the CGS. This contributes to further understanding about what role the private sector could play in economic development.

Where private sector actors were genuinely business owners or senior managers, their agendas varied. Some individuals clearly had a range of multiple interests. One business owner, for instance, had a vast knowledge of policies in the area and strong links with public sector departments, managed a training organisation, and was concerned with and tried to influence the economic and social growth of his own ethnic minority community.

This individual (i.e. BusH3) was deemed to hold a certain power within his ethnic community. In explaining a different range of interests and relationships between regional, local and neighbourhood levels, one respondent identified this actor as representing the interest of the local ethnic community situated in the eastern side of the borough.

*One needs to be aware that Haringey and the formal political structure of the council is influenced by the regional political structure of the LDA. Then, you have also got the minute political structures which [business owner 1] is leader of (ConH).*

While some businesses had multiple interests, others did not demonstrate any particular interest in the development partnership as such but was there to



represent other public sector organisations and report back on decision made by the CGS partnership. As another respondent put it:

*They [some businesses] were only sitting on it because they had meeting requirement of that particular thing. There was no involvement, no engagement (DOH4).*

In the majority of cases, respondents put emphasis on the notion of 'self-interest' in driving private sector participation, although understandings of self-interest varied substantially. One group of businesses defined self-interest as strictly associated with short-term returns in terms of profit or other benefits such as tackling skills shortages. Thus, for instance, motivations underpinning involvement were rooted in increasing the number of referrals with automatic benefits (i.e. an increase in business activity and profit). Interestingly, the partnership was seen as attracting particular types of businesses that had a greater willingness to interact and create such business opportunities, while conventional networking events were not seen as offering the same prospective. As one business put it:

*You make contact in a network of people of good will. That will create business connections (Bus H5).*

Self-interest was also seen in the context of the wider common good of the community, even though short-term profit concerns were still the main rationale behind private sector action. As one business respondent put it:

*I would say that it is 80% self-interest and 20% good will. If you told the average person 'if you give two hours a month, it will create two jobs for unemployed people' because of your expertise and stuff like that. Most people will go along with that (Bus H5).*

Responses from public sector actors at the local and regional level and delivery organisations involved in the CGS partly reinforced the notion of short-term profit maximisation as driving business participation. An LDA official pointed out that:

*We are not looking for philanthropic charitable stuff CSR type of activities. We want the private sector to be involved because there is*

*economic and business benefit for them to be operating within certain inner city areas (LDA off1).*

This rationale was supported by another public sector official who reported that private sector involvement started to grow when projects created a direct return for the companies involved. For instance, when the public sector makes grants available to renovate shops' front windows in order to improve the attractiveness of the locality, it always encounters a very strong demand from businesses that have a direct self-interest in making use of public funding for the improvement of their own shop.

However, some public sector respondents referred to the notion of self-interest as not necessarily short-term but a gain that can benefit the company in the long-term. The argument put forward was that if a wider positive change in the industry occurred, the business contributing would eventually reap the benefit in the long term. As the respondent put it:

*They realise that if they can contribute to fixing whatever it is that is their particular axe to grind, whether fully or partially, it's going to make an impact down the line. They are in it for the long term (HC 3).*

Overall, business rationale for involvement is driven by the pursuit of self-interest where the predominant interest is to generate profit in the short-term. However, some evidence points to the need to understand self-interest in a wider sense. Some businesses exhibited a concern for the local community, and responses from public sector interviewees pointed to the notion of long-term self-interest where businesses understand that the survival or success of their companies depends upon the economic growth of the entire industry or the improvement of their locality.

In other cases, agendas were difficult to untangle as some businesses operated within the borderline between public and private sector. They simultaneously, run businesses and training organisations, or attempt to secure advantages for particular ethnic groups. Such agendas offer a wider spectrum of possibilities in terms of private sector involvement that goes beyond the notions of self-interest discussed above. Importantly, the concerns of some of these businesses for

training or the beneficial impact for particular ethnic groups, is more in tune with the priorities and targets of local government. Therefore, the involvement of such individuals might provide important opportunities for collaboration between public and private sector.

#### **5.4.1.3 The role of funding and co-ordination in the Haringey CGS**

A common key feature to all CGS areas is the limited funding availability for implementation of the strategies developed. Investment into the CGS has to take place by bending mainstream resources from other partners.

As an LDA official observed:

*The CGS is about reallocation of existing resources within the same financial envelope, doing things better as opposed to doing new things. In my mind, if the CGS is to be a continued tool for regional and local economic development then it can't be attached purely to new funding, there has to be dedicated funding in place already. To my mind the CGS provides a useful tool for then determining how best to spend that money to maximise local economic outcomes (LDA3).*

However, some respondents from Haringey Council expected the CGS to come with available funding for implementation. A number of interviewees and especially council officials criticised the low investment from the LDA. As a respondent from the council put it:

*We have not had a huge amount of money we have not had additional funding, we received that extra bit for the two clusters but nothing else (HC 2).*

Haringey council received from the LDA about £150K for the development of the CGS most of which was spent in contracting an external consultant to undertake the necessary research work. An additional amount of funding (£220K) was subsequently allocated to the 'ICT' and 'Food and Drink' clusters in order to facilitate their development in the recognition that these clusters did not have an existing structure in place prior to the introduction of the CGS.

In practice, implementation relied heavily on additional funding allocation from the LDA rather than the bending of resources from other local agencies. The only implementation clearly associated with the CGS occurred as a result of LDA investment in the ICT and Food and Drink clusters. Respondents from the council were aware of the need to secure resources from partners, but were not able to act upon it as one of Haringey council officials recognised:

*And, you know, we set up meetings, we have agreed that we will pull resources, that we will work to the same ideal but I don't think we have ever achieved what we liked (HC 2).*

#### **5.4.2 Partnership arrangements in the City Fringe CGS**

##### **5.4.2.1 The role of the private sector in the City Fringe CGS**

Recruitment of the private sector in the City Fringe was primarily based on the willingness of the private sector to become involved in the development of their industry. However, a range of other criteria influenced the identification of business individuals. One such criterion included previous experience in regeneration activities. Thus, as one of the respondents from the CFP explained:

*He [business on the CAG] is already involved in other initiatives in the printing industry, so in a sense we are seeking people that have the propensity to have been involved already (CFP 2).*

In fact, one of the businesses involved in the jewellery cluster also ran a training school and had considerable experience of government funding. Similarly in the PPCAG, the chair was the chief executive of one of the largest printing companies in the CF area and has also been involved in other local and national regeneration programmes for a number of years. As one of the participants of the study commented:

*Some of these companies have been around for a long time. They have been in and out of various initiatives. The chair has been active for a long time, not just as a business. I know he was involved in European funding at one time, he has been involved in local regeneration initiatives (LDA4).*

In terms of other members of the CGS, people involved in the HGJCP could contribute with considerable experience in the sector and in some cases additional experience of public sector programmes (i.e. training, business support, marketing and some special expertise (e.g. legal expertise of the trade). In terms of the PPCAG, with the exception of the chair, the other private sector members interviewed were relatively inexperienced in attending a public/private partnership although they could offer considerable experience of their sectors.

One of the members of the HGJCP was particularly instrumental in the development of the strategy in terms of financial as well as professional contribution. Their role could be considered as both charitable and corporate. On the one hand, the organisation was attempting to promote initiatives that could generate a return, and on the other, it had a clear social objective in terms of promoting its own industry and developing training opportunities for those wishing to work in the industry.

In both clusters, the balance between public, private and delivery organisations was very similar. The private sector made up about a third of the partnership (i.e. eight businesses) attending meetings consistently with a considerable sector mix. In terms of size, the PPCAG had a more mixed business contribution, while the HGJCP was mainly represented by large companies.

In the jewellery partnership and to a lesser extent in the PPCAG, private sector members had been helping to informally recruit and promote the benefits and the merits of being involved in supporting the industry to other private sector members. As one of the public sector participants pointed out in relation to the jewellery sector:

*This whole thing of getting these people interested is something that is happening informally so [business1] and [business 2] actively goes out of his way to have discussions with everybody about the JSIP, about Hatton Garden and about what is happening in the Jewellery industry. He actually does that in the informal basis (Camden C).*

However, this was done without mentioning the CGS. Businesses that had been part of the focus groups and later participated to the temporary JSIP steering

group were not aware of the CGS. This means that the involvement and participation of the private sector might nevertheless have been taking place without the CGS. As a public sector official involved in the development of the JSIP pointed out:

If you were to say to a business, you have been part of a cluster action group, they glazed over and they will tell you 'what are you talking about?' if you mention the CGS they would turn around and say 'what are you talking about?(Camden C).

This particular theme will be investigated further in the next chapter. In terms of the extent of effective involvement of private sector in the two clusters, there was a general agreement between public sector interviewees that while the private sector played a crucial role in terms of manifesting its needs and controlling the process leading to the action plan and implementation, the public sector also played an important role in administering, managing and bidding to secure funding for the implementation of private sector selected projects.

One of the CFP officials summarised this well:

*I would say that the private sector decide what they want and we are trying to get them to understand that we have certain things that we have to achieve but we being led by them [...] the private sector needs that [i.e. public sector input] at the beginning because they are not paid to get organisations together, they are not paid to take minutes, they are not paid to send out the minutes, the action or whatever, we are. So I think at the beginning it seems perhaps on the surface that the public sector has a very heavy handed role in this but it is actually just creating the infrastructure (CFP 3).*

The opinion from private sector participants on their involvement varied with the cluster considered. The examination of the minutes as well as the interviews undertaken with businesses involved on the HGJCP showed that these were highly involved in the process, they could put forward ideas and were listened to and contributed substantially to the drawing of the sector investment plan.

However, in the PPCAG the extent of involvement of the private sector seemed to be more tenuous. One private sector respondent commented:

*We are all trying to make ourselves fit. Several public sector parameters, so that we can apply for other things. We are not really looking at the world as it really is. We are trying to really change it, to make it fit into a category which then allows us to apply for other benefits and grants and so forth (PP Bus 1).*

Thus, businesses needed to fit into the policy priorities of public sector funding bodies and in this sense had limited autonomy and ability to express their needs.

#### **5.4.2.2 Private sector agendas in the City Fringe CGS**

The reasons that move businesses to come forward and participate in the two CAGs were varied but span from absolute self-interest to wider concerns for the industry.

For instance the view of one business on the PPCAG was:

*first and foremost things like that are an opportunity, a sales opportunity, and a network opportunity. I think there is quite few people there who would like to benefit their own businesses. Quite rightly so. If CG is offering this opportunity, why not take it? (PP Bus 3).*

At the opposite side of the spectrum, another member of the CAG commented:

*I was flattered to be asked [...] I just wanted to help if I could. I don't really expect much out of it [...] it was an opportunity to learn a bit more about the public sector and yes a level of self education as well (PP Bus 1).*

In terms of the HGJCP, private sector participants had a commercial self-interest in mind, but this would coincide with an interest for the development of the sector as whole and the realisation that a long term commitment to the development of the sector would eventually pay dividends directly to the company involved. Evidence from the private sector as well as minutes from meetings showed that private sector agendas ranged from a general concern for the sector, to the establishment of a visitor centre, training provision and the development of the

JSIP as an action plan for the industry. All of these agendas had in common the long term goal of achieving the development of the jewellery cluster.

One of the respondents clearly demonstrated the balance between individual interests and the interest of the industry at large:

*So if I can bring new skills to people, it fits my personal agenda, and if it makes business sense to do that then fantastic. The two have to apply [...] but I am happy that we do something good for people. But equally it is benefiting the business (J Bus 1).*

As with Haringey, in some cases, businesses on the board had multiple interests. One business was running a training organisation and the other had a charitable arm. In this context, as explained in section 5.4.1.2, the agendas of such individuals can offer important opportunities for the development of effective public private partnership as they display concerns that are compatible with the objectives of local government. Joint collaboration could involve the development of training initiatives and a number of other initiatives facilitated by the no-profit status of some individuals.

#### **5.4.2.3 The role of funding and co-ordination in the City Fringe CGS**

The CAGs showed a significant difference in terms of funding sources for the development of private sector investment plans, although the LDA emerged as the main funding body in both clusters. The PPCAG relied upon ERDF funding (£300K) and LDA funding (£770K), while the HGJCP relied at this stage on the contribution of the Goldsmiths' companies - which had put an initial investment of £50K to develop the JSIP - an initial investment from the LDA (app. £218K) and some funding from Camden Council (£12K). More recently, the JSIP managed to secure £3m from the LDA over three years to implement the JSIP and, although significantly lower than the £8m requested, this sum is likely to attract further investment from a number of other partners.

The jewellery cluster plans to secure 32% of funding from the private sector of which 20% (i.e. £1.7m) has been confirmed. The PPCAG relied upon the private sector to match public sector funding by footing half of the cost of initiatives.



However, the PPCAG investment plan indicated that private sector financial involvement was limited to business support and environmental awareness, while other programmes related to training and workforce development and new entrant recruitment training were fully subsidised by the CFP and the LDA (CFP, 2005). In addition, there is some concern about the effectiveness of the funding being raised.

While the PPCAG benefited from a conventional funding stream (i.e. ERDF) and a good mix of business representation in terms of size, the HGJCP benefited quite substantially from the involvement of large companies that were in the position to spend time and provide professional advice for the development of JSIP. One particular organisation, the Goldsmiths' Companies, can be singled out for providing resources and playing an important role in shaping the formation of the JSIP and the course of the partnership. In particular, the Goldsmiths' Companies strongly believed in the development of a strategy underpinned by a solid evidence base and the work of public private partnership to support it.

The interviewee made clear that as an organisation they could have invested in Hatton Garden independently because they had the financial resources to do so, but they saw more scope in being a member of a partnership as that would maximise financial leverage from other partners, although this process would necessarily have an impact in the long rather than short term. As the interviewee explained:

*I am going to make contact with the LDA and I am going to offer them a 60-40 partnership on any project that we want to do around this area [...] I could have just done that. I did not need to work in partnership with anybody, [...] I could have just gone direct, said right, this is my £10m what are we going to do around the jewellery industry? [but] we wanted to work in partnership because historically as an organisation we may be seen to be an organisation that just did what it wanted to do (J Bus 4).*

However, it is important to stress that the role of the Goldsmiths' Companies is unique to the jewellery cluster and to the City Fringe. As the Goldsmiths' Companies interviewee recognised:

*All I am trying to say is that we are unique in terms of this CGS and this partnership but what I would hope is that we are exemplar for others (J Bus 4).*

Thus, bending from mainstream programmes was not secured as initially planned. Despite the contribution of key individuals that allocated funding and believed in the development of a public-private partnership, most resources came from the LDA and European funding rather than from the collaboration between local agencies.

### **5.5 Conclusions**

The two case study areas exhibit different organisational structures. This has had a number of implications for the development of the CGS in the two areas in terms of the clarity and detail of the strategies as well as the involvement of private sector. Thus, Haringey CGS involved a mix of companies from different sectors, while the City Fringe concentrated on the involvement of businesses with a specific expertise in their own industry.

Another important difference between the two areas is the reliance of the City Fringe on the existing partnership structure in the case of the jewellery sector, while in Haringey a new board was created as a result of the introduction of the CGS. The longer period of existence of the jewellery partnership is reflected in a more accurate final strategic plan for the development of the industry and a better synergy between public and private sector. However, this is only one explanatory variable since the Printing and Publishing cluster was the last to be developed, but did not incur in the same problems experienced by Haringey.

Some of the problems were due to the different paths of development of the two strategies with the City Fringe CGS benefiting from a more stable relationship between private and public sector, while Haringey CGS re-structured twice due to its inability to develop a balanced and effective private-public partnership.

The CGS in both areas was led by the public sector. Haringey Council and the City Fringe Partnership were both highly involved in providing a range of resources (financial, administrative) to develop the CGS. The recruitment of the private

sector in Haringey was rushed and not well explained, often involving individuals with little or no previous knowledge of these types of partnerships. On the other hand, the City Fringe was more effective in this respect, preferring individuals that had previous experience in regeneration and substantial industry expertise.

Private sector engagement in shaping the design of the strategy was limited in Haringey where only one initiative originated clearly in the contribution of the private sector. The City Fringe CGS showed mixed results. The JSIP, focussing around the creation of a jewellery visitor centre, clearly responded to the needs expressed by business individuals on the board, but some businesses interviewed expressed more doubts about the extent of involvement of the private sector in the Printing and Publishing cluster.

Private sector agendas were found to be mainly driven by self-interest, but there were some notable exceptions in terms of multiple agendas and a dynamic rather than static range of interests. This suggests that a focus on self-interest is important in order to design successful policies that involve the private sector, but a need to assess each business case by case is also important and might lead to the opening up of a range of opportunities that are not feasible when narrow self-interest is the only basis for the attraction of the private sector.

Another major theme of the study is the role of the CGS as a mechanism for co-ordinating the allocation of public sector funding. There is consensus across the public sector at different levels that the CGS is seen to be a mechanism for bending the allocation of existing funding allocated to local government agencies and other organisations. As such, the CGS partnership is strongly reliant upon the ability of members within the partnership to 'persuade' other funding bodies to redirect their allocated budgets to the implementation of the CGS. However, in a context of limited funding availability for implementation, the CGS lacks the power to convince other local bodies to co-operate. This becomes clear in the fact that both areas have made extensive use of LDA funding. These issues will be explored in more detail in chapter eight highlighting the problems of co-ordination between local level agencies and between local and regional level.

Overall, this chapter has demonstrated that while the City Fringe was better suited to take forward the CGS, Haringey, encountered difficulties. Firstly, Haringey CGS displayed a limited ability to involve and engage the private sector. Secondly, Haringey experienced severe difficulties in engaging other local organisations (e.g. NDC, LSC) to collaborate and invest in the development of the strategy. In contrast, the City Fringe CGS was more effective in involving the private sector and showed a greater involvement of local partners. Chapter eight attempts to explain in more detail the reasons behind the different development of the CGS in the two areas.

The following chapter continues with the description of the two case study areas examining how the strategies and initiatives designed and, in some cases, implemented by the CGS have responded to the competitive advantages and disadvantages of the two case study areas.

## **6 COMPETITIVENESS IN THE TWO CASE STUDY AREAS: COMPETITIVE (DIS)ADVANTAGE, STRATEGIES AND INITIATIVES**

### **6.1 Introduction**

Key to the notion of the CGS is the shift of emphasis from the disadvantages of deprived urban areas to the advantages of such areas. The economic structure of both case study areas has been experiencing rapid change driven by the rise in service sector employment and the decline of manufacturing activities. The population characteristics of deprived urban areas offer particular policy challenges. CGS areas are often characterised by a high proportion of a transient, rapidly changing population. Moreover, people in these areas are often affected by long term unemployment, worklessness, long term sickness/disability and particular issues related to low or inadequate level of skills. However, as discussed in the literature review, deprived urban areas can be seen to have certain advantages that can be capitalised on in order to promote their economic development. Thus the first part of the chapter investigates the economic disadvantages and advantages of the CGS areas.

The second part of the chapter focuses on understanding how the strategies and initiatives proposed as part of the CGS responded to the economic advantages and disadvantages highlighted either by building on the strengths or tackling the weaknesses of each area. This part is structured around the examination of the strategies proposed by the interviewees followed by a description of projects developed. These have been grouped around four main themes including: branding and networking, training and workforce development, business support and accommodation, and the improvement of the business environment.

It is, however, important to make clear that implementation of concrete projects in both case study areas has been very limited, particularly in the City Fringe. Thus, the second part of the chapter is concerned with describing the views of key actors in relation to strategy design and the proposed implementation of activities within the two case study areas, rather than assessing the outputs and/or outcomes of

proposed initiatives. This is crucial in order to assess the merit of the CGS in relation to Porterian ideas of competitiveness for inner city areas.

## **6.2 The competitive disadvantages and advantages of the two case study areas**

The competitive disadvantages and advantages of the two case study areas are presented in table 6.1. The objective is to provide the context in which the CGS has been developed and contribute towards assessing some of the choices made by actors involved in relation to strategies and initiatives developed.

Table 6-1: Competitive disadvantages and advantages of the two case study areas

<b>Sources of competitive disadvantage</b>	<b>Sources of competitive advantage</b>
Concentrated deprivation: unemployment, long term unemployed, disability, looking after family etc	Proximity to markets
Low skill levels	Low cost, available premises in relation to nearby areas
Inelastic supply of business properties	Growing ethnic minority population
	Dynamism of ethnic minority businesses

Source: author

### **6.2.1 The competitive disadvantages of Haringey and City Fringe**

Both CGS areas have experienced a significant process of sectoral restructuring which is the root of the disadvantage these areas are faced with. This has had important consequences in determining the extent of concentrated deprivation and low skill levels. Thus, before the factors of competitive disadvantage are analysed, the focus is placed on analysing the changes in the business and employment structure of the two case study areas.

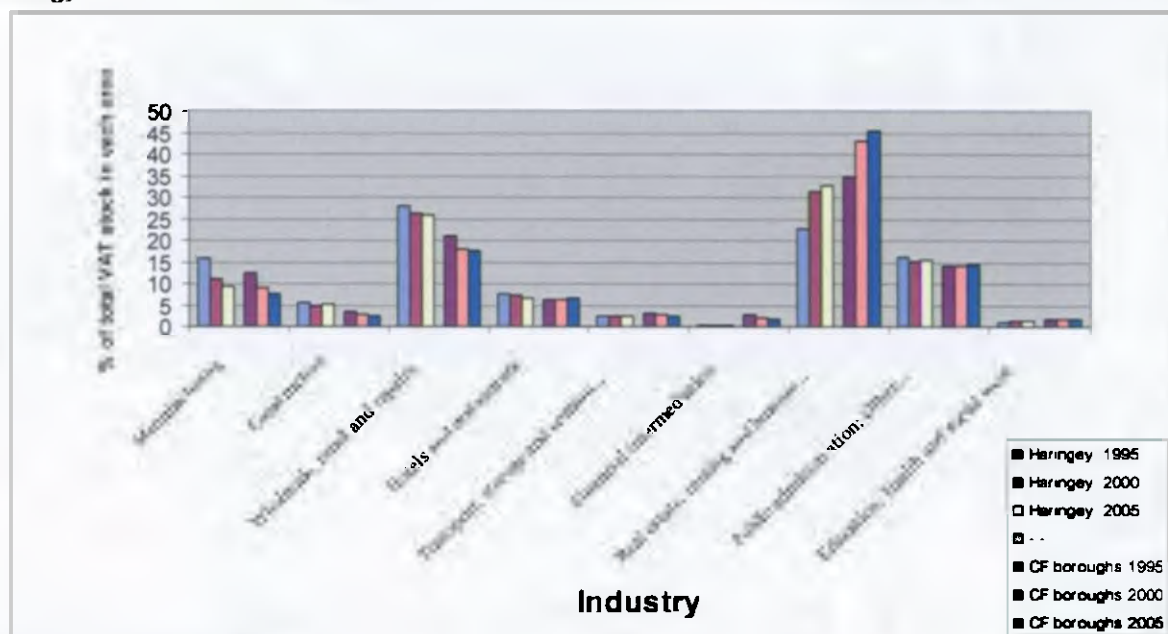
#### **6.2.1.1 Sectoral re-structuring**

A shift from manufacturing to service sector activities is evident from the analysis of both changes in the business and employment structures of the two areas, with the City Fringe recording a more prominent shift than Haringey.

The first evidence of this shift can be seen in Chart 6-1 that shows changes in VAT stock by industry in CGS boroughs in three years (1995, 2000, and 2005). The proportion of VAT registered companies in manufacturing has declined considerably, while the VAT stock in service sector activities such as 'real estate,

renting and business activities' has increased substantially in both areas. In addition, wholesale and retail activities declined throughout the same period. This picture over time demonstrates that the two case study areas have been experiencing a shift from manufacturing and wholesale/retail to advanced service activities.

**Chart 6-1: Share of VAT stock by industry in Haringey and City Fringe boroughs (1995, 2000, and 2005)**



Source: SBS Statistical Unit

However, a more detailed examination suggests that the City Fringe has experienced a more radical shift towards service sector activities. City Fringe boroughs have a smaller share of manufacturing and wholesale/retail activities than Haringey and a much higher proportion of business support activities as a result of its location on the edge of the City of London. Thus, in the period 1995-2005, Haringey has been more adversely affected than the City Fringe by the process of de-industrialisation. It had a higher share of VAT companies operating in the manufacturing sector on the one hand, and a lower share of companies operating in advanced service sector activities such as 'real estate, renting and business' on the other.

However, in order to put this evidence into context, it is important to bear in mind that this data has a number of limitations. Firstly, VAT data does not take into

account companies that have their headquarters outside the area but have branches within the area. Secondly, VAT registered businesses make up only 1.8 million businesses against the estimated 4.3 million in the UK, thus accounts for only around two fifths of the overall business population. Underestimation of the business stock may be more significant in deprived urban areas as they are perceived as having a very small size business population (EDAW, 2005; PACEC, 2003a).

In addition, although chart 6-1 is useful in order to examine the variation of business stock over time, data is only available at borough level. Whilst for Haringey this approximation may be accepted as the CGS covers about half the borough, the City Fringe covers a much smaller area than the four boroughs analysed. Other data from SBS (chart 6-2 in section 6.2.2.1) enable a more detailed analysis of CGS wards, but this is not available for different periods. However, the examination of this data for 2004 confirms the same picture of de-industrialisation presented above in chart 6-1.

Further evidence of the process of de-industrialisation experienced by the two case study areas is represented by the change in employment by sector between 1995 and 2004 (table 6-2).

Table 6-2: Employee jobs change 1995-2004 in Haringey, City Fringe boroughs, London and Great Britain

	<b>% change 1995-2004</b>			
	<b>Haringey</b>	<b>CF boroughs</b>	<b>London</b>	<b>Great Britain</b>
<b>Manufacturing</b>	-34.8	-15.3	-28.6	-29.2
<b>Construction</b>	-24.3	33.5	15.6	22.4
<b>Services</b>	22.0	23.5	15.4	18.9
<b>Distribution, hotels and restaurants</b>	17.5	16.9	11.1	16.6
<b>Transport and Communications</b>	2.1	2.1	9.3	12.7
<b>Finance, IT, other business activities</b>	20.5	28.9	15.7	22.3
<b>Public admin, education and health</b>	32.8	27.2	21.6	19.6
<b>Other services</b>	17.6	23.4	16.5	19.5
<b>Tourism related<sup>2</sup></b>	18.5	27.8	19.9	20.1
<b>Total</b>	15.9	22.6	13.5	13.8

Source: Nomis (Annual Business Inquiry: employee analysis).

<sup>2</sup> Tourism includes hotels and restaurants so there may be overlaps between this and Distribution, hotels and restaurants. This leads to some extent of double counting.



The radical change in manufacturing employment (-34.8%) shows that Haringey's economic base is characterised by a rapid change towards service sector activities. The pace of this change is twice as fast as the City Fringe (-15.3%) and also faster than London (-28.6%) and Great Britain (-29.2%). The changes in the economic structure and the associated rapid decline of manufacturing employment are chiefly responsible for the presence of areas of concentrated deprivation where a range of problems can be identified including substantial levels of long term unemployment, and the loss of important manufacturing skills.

#### **6.2.1.2 Concentration of acute economic deprivation**

Both case study areas are affected by a considerable concentration of acute economic deprivation (table 6.3). The Haringey CGS suffers from spatially concentrated deprivation centred on the ward of Northumberland Park and bordering wards in the Eastern side of the borough (i.e. Bruce Grove, Tottenham Hale, White Hart Lane). Deprivation in the City Fringe CGS, on the other hand, is more scattered in smaller pockets of deprivation located in different boroughs that are not necessarily bordering with each other.

The indicators of deprivation in the two areas also vary substantially and reflect a relative difference in the problems these areas are faced with. Haringey CGS shows wider variations in terms of people 'who never worked' than the City Fringe CGS, while the City Fringe CGS shows a greater proportion of individuals 'looking after home/family'.

Table 6-3: Key indicators of deprivation in CGS case study areas (2001)

	All people aged 16-74	Economi cally active: Unemplo yed	Unempl oyed	Looking after home / family	Perman ently sick / disabled	Never worke d (*)	Long- term unemp loyed (*)
<b>CFCGS</b>							
	Count	Count	%	%	%	%	%
Holborn and Covent Garden	8,452	424	5.0	5.9	6.9	12.3	30.4
Haggerston	7,658	567	7.4	7.9	7.6	17.8	32.5
Hoxton	7,910	586	7.4	6.8	7.2	20.3	30.0
De Beauvoir	7,362	493	6.7	7.0	6.9	11.8	36.5
Bunhill	7,735	458	5.9	6.7	6.4	15.5	34.1
Clerkenwell	7,821	396	5.1	5.3	6.1	14.1	29.6
Bethnal Green North	8,475	547	6.5	10.8	7.1	13.0	28.2
Bethnal Green South	9,668	725	7.5	12.0	6.5	16.1	33.8
Shadwell	8,458	640	7.6	12.8	6.0	15.0	32.2
Spitalfields and Banglatown	6,156	442	7.2	11.3	5.9	14.0	32.6
St Katherine's and Wapping	9,147	474	5.2	7.2	4.1	13.1	31.4
Weavers	8,381	621	7.4	10.8	8.0	14.3	31.1
Whitechapel	8,792	554	6.3	12.0	6.0	13.5	34.1
<b>CFCGS</b>	<b>106,015</b>	<b>6,927</b>	<b>6.5</b>	<b>9.0</b>	<b>6.5</b>	<b>14.7</b>	<b>32.0</b>
<b>Camden</b>	<b>155,165</b>	<b>7,665</b>	<b>4.9</b>	<b>6.4</b>	<b>5.8</b>	<b>11.5</b>	<b>32.3</b>
<b>Hackney</b>	<b>146,865</b>	<b>10,143</b>	<b>6.9</b>	<b>7.9</b>	<b>7.0</b>	<b>16.9</b>	<b>32.8</b>
<b>Tower Hamlets</b>	<b>143,429</b>	<b>9,456</b>	<b>6.6</b>	<b>10.3</b>	<b>6.5</b>	<b>14.0</b>	<b>33.1</b>
<b>Islington</b>	<b>135,661</b>	<b>7,873</b>	<b>5.8</b>	<b>6.5</b>	<b>6.9</b>	<b>13.4</b>	<b>34.1</b>
<b>HCGS</b>							
Bruce Grove	8,883	597	6.7	8.9	5.7	25.1	30.5
Harringay	8,690	440	5.1	5.2	5.3	12.5	29.6
Noel Park	8,811	495	5.6	7.5	7.2	18.4	29.5
Northumberland Park	8,786	750	8.5	9.7	6.7	24.9	37.3
Seven Sisters	9,340	668	7.2	8.6	5.9	18.7	36.1
St Ann's	9,706	611	6.3	6.4	7.1	21.0	32.7
Tottenham Green	8,904	690	7.8	8.7	6.6	22.0	37.1
Tottenham Hale	8,980	742	8.3	9.5	5.6	21.2	34.1
West Green	8,781	591	6.7	7.8	5.6	20.5	35.4
White Hart Lane	8,195	596	7.3	9.4	7.2	20.3	32.6
Woodside	8,668	481	5.6	7.1	5.9	17.9	26.6
<b>HCGS</b>	<b>97,744</b>	<b>6,661</b>	<b>6.8</b>	<b>8.1</b>	<b>6.3</b>	<b>20.2</b>	<b>32.9</b>
<b>Haringey</b>	<b>162,700</b>	<b>9,468</b>	<b>5.8</b>	<b>7.2</b>	<b>5.2</b>	<b>17.6</b>	<b>32.5</b>
<b>London</b>	<b>5,300,332</b>	<b>231,052</b>	<b>4.4</b>	<b>7.2</b>	<b>4.6</b>	<b>12.7</b>	<b>31.2</b>
<b>England</b>	<b>35,532,091</b>	<b>1,188,855</b>	<b>3.4</b>	<b>6.5</b>	<b>5.3</b>	<b>9.3</b>	<b>30.3</b>

Source: Neighbourhood statistics, Census 2001; (\*) 1 is the most deprived

In addition, deprivation has an important ethnic dimension that needs to be taken into account. Ethnic minorities account for half or more of the overall population in both case study areas. Particular concentrations can be found in Tower Hamlets, Spitalfields, Whitechapel, Bethnal Green North and South where people of Bangladeshi origin have in some cases an absolute majority.

### 6.2.1.3 Low skills levels

Competitiveness is highly influenced by the **pool of skills** available in the labour market. People in deprived areas are seen as having poor skills or skills that are not adequate to the job opportunities available locally. This is confirmed by the statistical data collected. CGS areas have a greater proportion of people with 'no qualification' than their respective boroughs (table 6.4). These differences are slightly higher in Haringey than in the City Fringe. In addition, unemployment for people with 'no qualifications' and living in CGS areas (40.4% in the City Fringe CGS and 39.6% in Haringey CGS) is higher than both the respective boroughs (36.3% in the City Fringe boroughs and 35% in Haringey) and much higher than London (31.1%),

Table 6-4: Levels of qualification in case study areas, CGS boroughs and London as a proportion of all people aged 16-74 (2001) (%)

	CF CGS (*)	Average four CF boroughs	HCGS (*)	Haringey	London
<b>All people</b>					
No qualifications or level unknown	34.9	30.7	35.2	28.1	28.5
Lower level qualifications	32.3	31.9	36.8	34.1	39.8
Higher level qualifications	32.8	37.4	28.0	37.9	31.8
<b>In employment</b>					
No qualifications or level unknown	19.2	17.0	22.0	15.5	19.4
Lower level qualifications	31.1	29.8	36.9	31.9	40.4
Higher level qualifications	49.7	53.2	41.1	52.5	40.1
<b>Unemployed</b>					
No qualifications or level unknown	40.4	36.3	39.6	35	31.1
Lower level qualifications	37.4	37.9	49.3	40.3	43.8
Higher level qualifications	22.2	25.9	20.2	24.7	25.0

Source: Nomis, Census 2001; details by ward level data are available in table F and G in appendix

This demonstrates that despite available job opportunities for people with 'no qualification' in the wider London area, residents in CGS areas are somewhat excluded from these.

Both City Fringe and Haringey CGS areas share a similar proportion of people with 'no qualifications' (34.9% and 35.2% respectively). However, it is easier for a resident in Haringey CGS with 'no qualifications' (22%) to find a job than an individual in the City Fringe CGS (19.2%). On the other hand, it is easier for a person in the City Fringe CGS (49.7%) with 'higher level qualifications' to find work than for somebody in Haringey CGS (41.1%). This may reflect the extent of economic restructuring of the two areas, highlighted above. The more advanced the process of de-industrialisation, the higher the level of skills required to find employment.

### **6.2.2 The competitive advantages of Haringey and City Fringe**

This section draws partly upon the competitive advantages examined in the literature review (section 2.4.1), and partly on other advantages identified during the author's own statistical analysis of the two case study areas.

#### **6.2.2.1 Proximity to markets**

Porter (1995) argues that deprived urban areas offer a strategic location for businesses that are dependent upon proximity to their markets and major transport infrastructures. Examples of this include wholesale, food processing, and printing and publishing. Thus, for instance, the City Fringe is a good location for the printing industry as it offers benefits in terms of the speedy provision of services (e.g. annual reports etc) for companies based in the City. As one respondent pointed out:

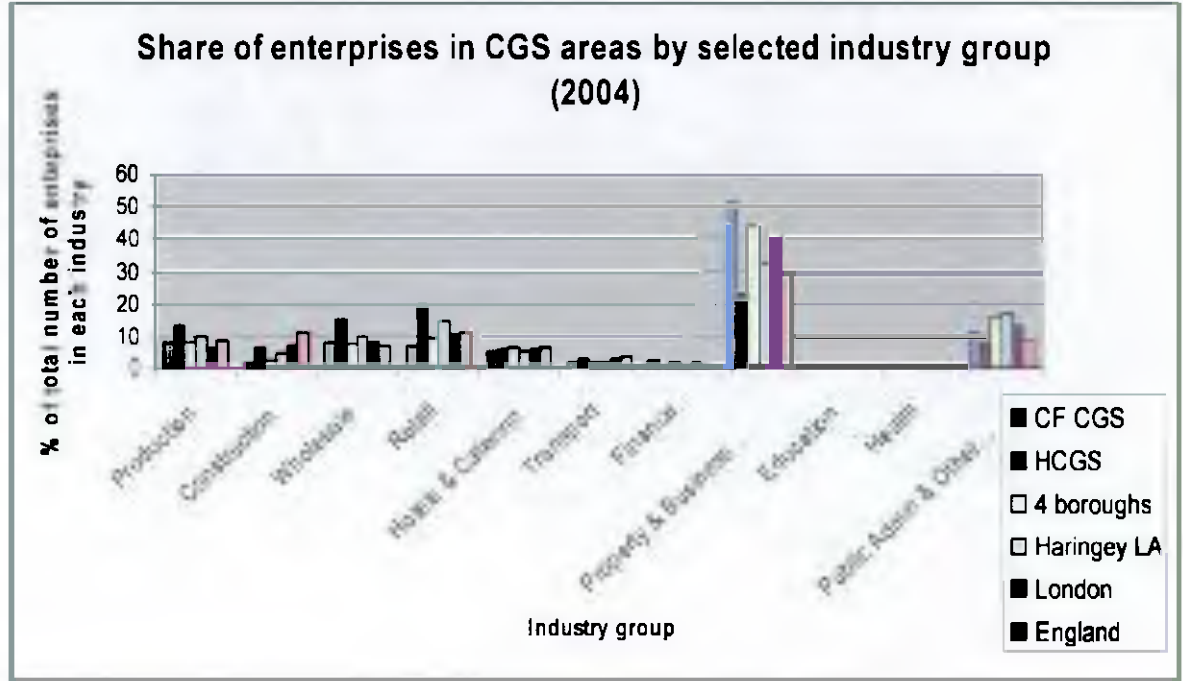
*Much of the work of printers and publishers derives from being close to a massive potential market in terms of other businesses and people (CFP official 1).*

Wholesale in general is mainly concerned with easy access to a transport infrastructure (Gordon, 1996). Haringey exhibits a significant number of wholesale

companies that take advantage of transport nodes to deliver their goods into central London. An interviewee from Haringey confirmed that transport to central London is a major advantage of the area, but on the other hand transport needs important improvements to facilitate the circulation of goods within Haringey. This is consistent with the NEF (2002) report on Inner City 100 companies, where the most competitive companies in inner cities felt that transport was a major advantage of their location, although within the inner city area itself congestion was at its worst.

The importance of strategic location for certain types of firms clearly emerges from Chart 6-2. Wholesale businesses in Haringey have access to major transport nodes (e.g. Commercial Road) that provide fast access to the City of London. Other relevant competitive advantages derive from the local size of the customer market. The significant share of retail businesses in Haringey CGS reflects the economic structure of the area devoted to serve a growing number of local residents. This shows some differences with Porter's argument related to a lack of retail base in US inner cities and the presence of an 'underserved market'.

Chart 6-2: Counts of enterprises in CGS areas by selected industry group (2004)



Source: SBS Statistical Unit

On the other hand, the City Fringe CGS is more in line with the underserved markets argument as it shows a clear inclination towards producer service activities reflecting its proximity to the City of London and a substantial lack of retail activities.

In Haringey CGS, the Food and Drink cluster has registered a decline in manufacturing and wholesale companies in recent years, while it has recorded an overall growth in employment due to the increasing contribution of food retail particularly operating in niche markets (e.g. ethnic minority food retail). This shows the nature of a growing component of Haringey's business base which is directed to serve local residents rather than markets in central London. The ever increasing cost of transport (fares, congestion charge) coupled by the increasing fear of terrorist attacks in central London, have pushed an increasing number of people to spend their leisure time in more suburban areas. This was noted as one of the reasons for the growing performance of food retail outlets in Haringey.

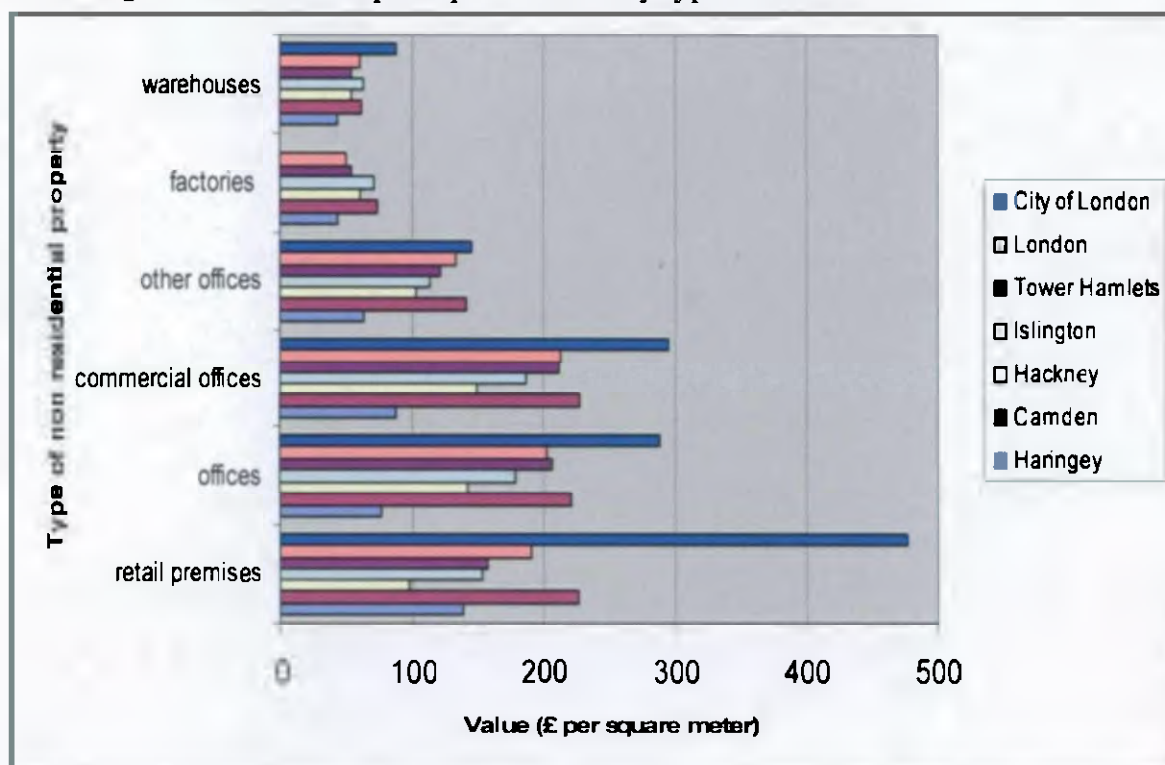
#### **6.2.2.2 Cost and availability of premises**

If strategic location is a necessary condition for business location in deprived urban areas, this is in itself not sufficient as businesses could locate somewhere else in close proximity to markets outside deprived urban areas. Thus, other advantages such as a cheaper cost of premises (relative to more buoyant areas) and the availability of particular types of premises are major factors that push companies to locate in deprived urban areas. A study on Haringey and other three deprived urban areas (Tyler, 2004) confirms these findings and, in addition, found that businesses would migrate because of the easy access to an appropriate transport infrastructure. The importance of cost and availability of premises has also been highlighted by a number of reports concerning both CGS case study areas (EDAW, 2005; PACEC, 2003; CFP, 2003).

A detailed statistical investigation of the two areas shows that the cost of properties in the boroughs is lower than London for virtually all types of properties except factory space (Chart 6-3). Haringey shows a competitive price for virtually all types of non-residential property in relation to the other boroughs examined and

London as a whole. If the City Fringe boroughs are examined, the price differentials with the City of London are considerable, especially in terms of properties reserved for retail activities. These provide a clear advantage for companies that want to benefit from relatively lower property costs without compromising on the geographical proximity to the City of London as a key dynamic market<sup>1</sup>.

Chart 6-3: Rateable value per square meter by type and area



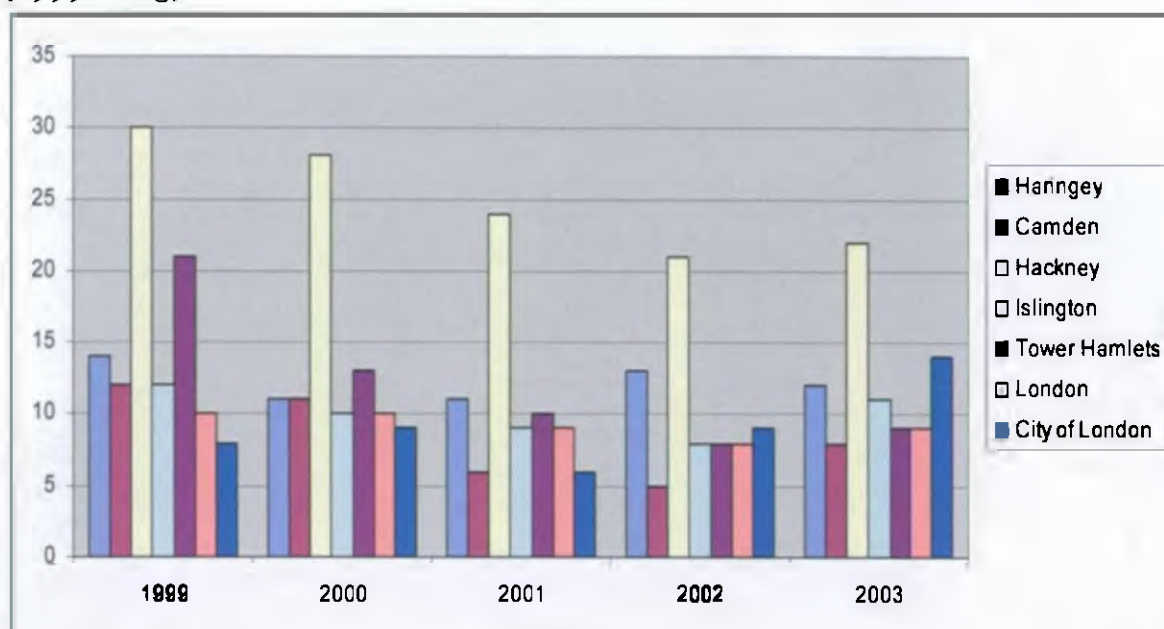
Source: Neighbourhood statistics, physical environment

Alongside the price of properties, another issue highlighted in the literature is the availability of particular types of premises. Chart 6.4 shows that the more dynamic the area, the lower the vacancy rate for commercial and industrial properties. Thus, less dynamic areas such as Haringey, Hackney and Tower Hamlets have a significantly higher vacancy rate than other areas such as Camden and the City of London. This demonstrates that premises are available for commercial and industrial use but not exploited effectively.

<sup>1</sup> It is important to exercise some caution when looking at data from chart 6.3 related to cost per square meter. It is not clear to what extent the data provided indicate actual market values, thus chart 6.3 is only indicative as often property markets are very volatile



Chart 6-4: Commercial and industrial property vacancy rate in CGS boroughs (1999-2003)



Source: Neighbourhood statistics, physical environment

This particular issue seems to be rooted in a mismatch between demand and supply of properties. A more detailed analysis of workspace availability in the City Fringe area found a significant gap between demand and supply of small start up space (Renaissi, 2003). In particular, Renaissi (2003) found an overall reduction in demand for commercial properties across 2002/03, despite a strong demand from small users, especially start ups. In 2002, about 60% of this demand was dominated by users seeking space at less than £15 per square foot (£167 per square meter) but only 8% of supply was available at this price.

The supply of properties in urban areas follows the basic principle of looking for maximum return, a key issue being the price of residential properties in relation to commercial properties. One interviewee pointed out that property prices for residential land in North London are more than twice the value of commercial land and concluded that:

*Developers are all the time trying to create as much residential land as possible because there is more profit in it (Public H2).*



This is confirmed by a report on the jewellery industry in Hatton Garden (within Camden) which criticised the tendency of developers to push for more offices and residential space rather than other types of space (MCA, 2004). In addition, evidence from respondents pointed to the issue that local authorities are pushed by regional government targets to increase the supply of residential properties rather than commercial space.

### 6.2.2.3 Demographic growth

An important competitive advantage of inner city areas is also the demographic growth that can stimulate economic activity in terms of both increased business start up rates and increased local market demand for products and services, although it also put substantial pressure on the local labour market.

The case study areas had a similar population in 2001. Haringey CGS accounted for 61% of the population of Haringey (i.e. 132,072). Slightly more people lived in the City Fringe CGS (142,333). Both CGS areas are characterised by a rapidly growing population. Between 1982 and 2002, City Fringe boroughs have recorded the fastest growth (22%) thanks to the exceptional contribution of Tower Hamlets (44%) which is the borough with most of City Fringe CGS wards and the highest population density in Britain. An explanation for such increase in population is the numerous waves of migrants including, most recently, people from Eastern Europe, Turkey, and Somalia whom are a strong feature of Tower Hamlets and the Eastern side of London more generally (DPH, 2005). Haringey (9.7%), perhaps reflecting a more stable migration flow, has recorded growth above the London average (8.7%) but considerably lower than the City Fringe (Table 6-5).

Table 6-5: Population change (1982-2002) in CGS boroughs

	Camden	Hackney	Islington	Tower Hamlets	Average four boroughs	Haringey	London	England
<b>Population change</b>	17.9	14.9	11.9	44.1	22.2	9.7	8.7	5.9

Source: Neighbourhood statistics, population and migration

Both areas are characterised by a large proportion of ethnic minorities (Table 6-6). Almost half of the population in the two CGS areas belong to an ethnic minority

group, a proportion higher than their associated boroughs and significantly higher than the London average. However, the two areas differ in terms of the mix of ethnic groups. In the Haringey CGS area, one out of four people are from African/Caribbean descent, while people from Bangladeshi background account for the same proportion in the City Fringe CGS.

Table 6-6: Population by ethnic group in CGS areas (%)

	CFCGS	HCGS	Haringey	CF boroughs	London	England
<b>White</b>	54.4	56.3	65.6	64.5	71.2	90.9
<b>Mixed</b>	2.8	4.9	4.5	3.6	3.2	1.3
<b>Indian</b>	1.7	3.1	2.9	2.3	6.1	2.1
<b>Pakistani</b>	0.8	1.2	0.9	0.8	2.0	1.4
<b>Bangladeshi</b>	26.4	1.8	1.4	11.4	2.1	0.6
<b>Other Asian</b>	1.0	1.9	1.5	0.9	1.9	0.5
<b>Black Caribbean</b>	3.1	12.8	9.5	5.0	4.8	1.1
<b>Black African</b>	6.2	12.5	9.2	6.9	5.3	1.0
<b>Black other</b>	0.8	1.8	1.4	1.1	0.8	0.2
<b>Chinese</b>	1.4	1.4	1.1	1.6	1.1	0.4
<b>Other</b>	1.4	2.3	2.0	1.9	1.6	0.4
<b>Ethnic groups total</b>	45.6	43.7	34.4	35.5	28.9	9
<b>N (population)</b>	142,333	132,511	216,512	772,749	7,172,091	49,138,831

Source: Nomis, Census 2001

#### 6.2.2.4 The dynamism of Black Minority Ethnic Businesses (BMEBs)

Given the high population increase registered amongst ethnic minority groups and their growing impact on the London economy, it is important to assess in more detail their potential in both case study areas. Research from the LDA (2005) provides useful information on this dynamic. BMEBs (Black and Minority Ethnic owned Businesses) make up about 22% (i.e. 66,000) of London businesses. They are small, 53% of them employ five people or less, and have a lower turnover than the UK average. However, the rate of growth of self-employment in the BME population was double the UK average between 1991 and 2001.

In Haringey, well above two out of five businesses are BME owned (Table 6-7). In the Haringey CGS area, a report from EDAW (2005) found that this proportion is even higher and registers an absolute majority (55%). In addition, half of all start-ups and growth firms are BME owned underlining the significant contribution of

ethnic minorities to the area. While similar statistical information is not available for the City Fringe, data for the boroughs are available for 2003 (Table 6-7). The two areas that contain most of CGS wards (i.e. Tower Hamlets and Haringey) show a significantly higher proportion of BMEBs than London (33%).

**Table 6-7: Ethnic minority owned businesses in CGS boroughs in 2003 (%)**

	<b>Camden</b>	<b>Islington</b>	<b>Hackney</b>	<b>Tower Hamlets</b>	<b>Haringey</b>	<b>London</b>
White British	71.3	58.2	62.6	63.9	54.7	67.3
White Other	9.9	16.3	17.1	7.0	13.8	9.6
Black British	0.0	0.0	0.0	0.0	0.0	0.7
Black Caribbean	0.0	0.0	0.0	0.1	2.4	0.9
Black African	0.0	0.0	0.0	2.5	7.7	1.2
Asian British	2.2	6.5	4.0	5.3	2.5	3.7
Indian	1.8	5.1	5.0	2.5	4.0	3.9
Pakistani	0.0	2.5	1.3	2.3	3.5	1.5
Bangladeshi	1.4	0.0	0.0	5.6	0.0	0.4
Chinese	0.0	0.0	1.4	0.0	0.0	0.3
Mixed	8.5	11.1	1.6	7.3	2.5	6.7
Other	4.9	0.3	7.0	3.6	8.9	3.7
Ethnic all	28.7	41.8	37.4	36.1	45.3	32.7
<b>Total (N)</b>	<b>16,709</b>	<b>9,052</b>	<b>10,811</b>	<b>10,702</b>	<b>6,639</b>	<b>525,277</b>

Source: London Annual Business Survey, 2003

Given the dynamism and growing importance of BME owned businesses for the two case study areas, it is important to explore the sector composition of such businesses in order to assess the extent to which they are a source of competitive advantage and how such sectors fit in with the process of cluster selection put in place by the CGS.

Traditionally, BMEBs in Haringey CGS have been operating in traditional sectors such as wholesale, retail, clothing manufacturing, food retail which register the highest growth in employment and business stock in the area (PACEC, 2002). A similar sectoral trend is followed by BMEBs in the City Fringe CGS. Lewis and Bieler (2001) found that in Hackney and Haringey, Tower Hamlets, and Islington Turkish and Greek Cypriots are particularly concentrated in clothing manufacturing, while in the same areas Indians and Pakistanis are engaged in retail business activities, and Africans and African-Caribbeans are more engaged in personal services, marketing and leisure.

However, there is increasing evidence from a number of studies that BMEBs are not only confined to traditional sectors but are 'breaking out' to higher value added consumer and personal services in the professional and IT sectors. Foord and Ginsburg (2004) and Bieler (2001) found this to be the case in Haringey, Tower Hamlets, and Islington, while the LDA (2005) found similar evidence for other parts of London. BMEBs owners are younger and have higher levels of educational attainment, and the businesses target the needs of local multi-ethnic populations, not just their own ethnic groups. In addition, BME owned businesses in Haringey have been found to rely heavily on local suppliers with the ultimate benefit of enhancing a local multiplier effect (EDAW, 2005).

### **6.3 Approaches to Local Economic Development in the two areas**

This section describes the range of local economic development (LED) strategies and support initiatives proposed by the participants in the two case study areas. This enables an assessment of the strengths and weaknesses of strategies and projects in the light of the competitive advantages and disadvantages of the areas concerned.

Interviewees from Haringey proposed a wide range of different economic development strategies, while City Fringe participants appeared to share a similar approach in relation to the economic development of their area. With some slight differences between case study areas, practical actions in support of businesses showed similar key areas of intervention including branding and networking between companies, training and workforce development, business support and accommodation as well as the need to improve the business environment. This section describes the strategies and related projects in each area separately and then discusses similarities and differences between the two areas in the conclusions of the chapter.

### **6.3.1 Approaches to LED in the Haringey CGS**

Interviewees in Haringey CGS held different views in relation to the strategies and initiatives to be developed. Such views were sometimes coherent with the CGS approach, sometimes very different.

On the one hand, interviewees proposed a retail based strategy viewing Haringey as a place where business growth is strictly related to serving local residents. Haringey has long been recognised as being mainly a residential area. A significant number of people live in Haringey and commute daily to central London and the West End to work. Thus, in this view, a growth strategy should target the considerable number of local residents that live in the area, and this would lead, amongst other things, to modify commuting patterns to central London, creating more job opportunities locally so that people that used to work in central London would do the same in Haringey instead. A strategy of this kind would focus on enhancing 'Retail' and 'Food and Drink' in order to make the area more competitive and attract residents to spend their leisure time within it. In this context, one of the proposed plans for the future of the CGS included the support of certain types of clusters, such as personal service clusters particularly around Tottenham Hale, in order to respond to the opportunity created by a new housing development plan which was envisaged to create about 10,000 housing units in the next ten years. However, such plans were criticised by other commentators emphasising that the CGS needs to show a more rapid impact.

On the other hand, some respondents favoured a strategy based on supporting businesses to grow and reach markets outside the case study area. This view was justified by the evidence that firms in Haringey are very small and their market extremely localised. An increasing number of BMEBs exploited niche markets locally but they could be supported to expand their market to a sub-regional or even London wide market. Business support in this case would prove to be an important tool to facilitate such a strategy. However, as will be seen below, in practice the strategy pursued by the council was rather different and preferred local procurement as a tool for enhancing companies' growth.

Simultaneously, some council officials interviewed preferred a rather different strategy based on the promotion of inward investment and the attraction of mobile investment into the area. A number of such respondents emphasised the need to assert Haringey as a 'good place to do business' particularly focussing on the need to attract companies within Haringey. As a respondent from the council pointed out:

*We are going to push it [inward investment] in terms of business led for the next couple of years, start marketing Haringey. Haringey is a good place to come and do business (HC off 2).*

However, it was not clear from the interviews undertaken if this was just a branding and marketing 'exercise' or a more proactive approach. Later developments of the CGS with the involvement of North London Ltd, an inward investment agency for North London, show an even greater emphasis towards inward investment. However, the work of this agency needs to be complemented by the council's long-term strategic plan to improve the local business environment including street cleanliness, crime reduction, and the improvement of parking provision in order to pursue a more effective and sustainable inward investment strategy.

It is important to note that such strategies have elements in common with Porter's initial idea of competitive inner cities. For instance, the need to improve the business environment resonates strongly in Porter's writings. However, some of the most important competitive advantages of Haringey (e.g. transport infrastructure) were not sufficiently discussed. Logistically sensitive businesses such as light manufacturing or Food and Drink manufacturers and wholesalers find Haringey a favourable place to set up their activities, but interviewees paid scant attention to this particular strategy.

Primary and secondary source evidence shows that the initiatives proposed as part of the CGS included branding and networking, training and workforce development, business support and accommodation as well as the need to improve the business environment. The rest of this section analyses each of these themes in

order to show in practice what has been proposed and, in some limited instances, implemented in the Haringey CGS area.

*Branding and networking:* Branding and networking in the Haringey CGS area was driven by the need to promote the idea of the CGS to as many businesses as possible in order to maximise involvement in the CAGs, and as a tool to advertise the companies involved and hence promote their growth. A variety of measures were put in place including the organisation of events to improve participation of potential members (ICT, Food and Drink), newsletters (clothing and Food and Drink), and directories (i.e. ICT and Food and Drink clusters). Such measures were more concentrated on the development of ICT and Food and Drink clusters, since these two clusters had been built from scratch and needed major input to become established. This was recognised by the LDA which allocated additional funding (£167) to support the development of branding and marketing initiatives. In the Food and Drink cluster, 22 businesses were supported for their first joint marketing campaign which resulted in some increased trade (HCGS, 2005). Overall, however, events to improve the involvement of companies did not achieve the results that promoters were expecting and did not lead to major consistent involvement of local businesses.

An additional range of networking and branding projects is represented by the construction of a number of websites for the ICT and the Creative Industries clusters. These were seen as a good vehicle for communicating with a wide audience and to increase networking opportunities. In the ICT cluster, the website covered a number of areas including increasing information about training opportunities, enhancing referrals between companies, promoting successful stories, and in some cases advertising local procurement contracts. Thanks to the work of the staff from the council and the businesses, the website had some initial success as it helped with referrals between businesses which in one case eventually led to co-operation between two businesses worth about £10K per annum. In the first period a significant number of businesses and individuals accessed the website in order to check whether there were some job or referral opportunities. However, after this first period it became apparent that the project would encounter problems due to the inability to face up to the running costs involved in

maintaining the website. Both public and private sector bodies expected the other to pay for running costs, the former arguing that the website is useful for the latter and therefore should be paid for by them. On the other hand, the private sector felt that the cost of running the website was a responsibility of the public sector. The website was eventually stopped and the ICT cluster dismantled.

The construction of the website in the Creative Industries followed a different development. Although the expressed rationale was similar to the ICT cluster in terms of facilitating sales, referrals between companies or public sector procurement, the real objective was substantially different. In fact, the website represented a number of support organisations at the sub-regional level, called the Four Greens, rather than a number of businesses. The website mainly represented the creative industries sub-regionally in North London rather than just Haringey, and it was primarily working to align the different funding streams directed towards the creative industries in North London in order to form a more coherent and effective intervention in the North London area.

The CGS provided the chance for organisations and companies to network within and across sectors. In particular, it helped with funding research in cut making and trim manufacturing and helped to set up a steering group that could be considered as the Clothing CAG. The CGS also provided LARC with the opportunity to develop relationships with other delivery organisations in the area such as TGEC (40 businesses signposted for access to finance issues), CoNel (24 people were signposted for CAD training), and across sectors with Collage Arts in the creative industries.

*Training and workforce development:* the attention towards skills development was particularly strong amongst public sector respondents whom emphasised the importance of training in order to raise the knowledge base of deprived urban areas.

As mentioned earlier the issue of skills is particularly important for the competitiveness of deprived urban areas. Interviewees, particularly public sector interviewees, confirmed this by placing emphasis on the need for training. The



extent and the quality of training were seen as a major problem. As one respondent involved in the national co-ordination of the CGS explained:

*An issue that I see coming up in a lot of strategies is about skills. Skills are not necessarily the ones that businesses are needing, businesses are not really having any contact with higher education institutions to really plan what the local skill issues are (Con National).*

Thus, the problem was conceived as a mismatch between the skills needs of employers and the training provision available locally and was highlighted by a variety of respondents from both private sector and public sector at national, regional and local level. However, in practice only one project concerning the ICT cluster was directly borne out of the identified needs of local companies and represented an isolated and small scale example of the effectiveness of the CGS in this area of support<sup>1</sup>.

Projects aimed at skills development were proposed in both the clothing cluster and the creative clusters. Training provision (e.g. CAD) was particularly aimed at improving the skills of designers, and the workforce employed in CMT and manufacturing businesses in the clothing cluster. However, analysis of interview transcripts as well as minutes from the meetings revealed a disconnection between such training and the work of the CGS. Respondents argued that such initiatives pre-existed the CGS and had been funded independently from it. In the creative cluster, skill development was proposed but never realised in practice. Finally, the Food and Drink cluster was active in two areas of training including food hygiene and the training for young people to become chefs promoted by one of the members of the CAG.

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<sup>1</sup> The idea for the training project (i.e. cabling training) originated from one of the private sector members of the CGS board and ICT CAG and constituted an exception in Haringey, where the vast majority of the other projects were led by the council or delivery organisation representatives. Following this, a feasibility study was commissioned in order to establish whether the skill gap identified was widespread in the area. Contact with training providers and potential trainees was then established and 12 previously unemployed people started cabling courses. Finally, a recruitment agency was identified and given the responsibility to place the successful trainees with local companies. Although research and an interview with a trainee revealed a number of problems in finding suitable employers, at the time of writing, at least two people found a job at the end of their training period.

*Business support and development:* there was general agreement that business support plays an important role in terms of creating the conditions for business start up and growth, and replaces more traditional ways of supporting firms' growth related to the allocation of grants. The view of most interviewees was that business support (e.g. marketing, innovation, management) enhances the productivity of firms especially where it is provided full rate or on a subsidised rate rather than for free.

Practical business support initiatives proposed included the development of local procurement within ICT, Creative Industries and Food and Drink. This was seen positively by both private and public sectors. Public sector officials mentioned that procurement to local companies had a positive impact on the local economy in terms of the creation of new job opportunities, business growth and the stimulation of a local multiplier effect. Local procurement was seen by one public sector official as a considerable opportunity to involve the private sector on the basis that direct long-term commercial interest would attract companies to become involved. Therefore, it is not surprising that firms were very interested in the prospect offered by the initiative. A number of clusters expressed their interest in enhancing local procurement opportunities for local companies. Nationally, this seems to be the case especially in those CGS areas characterised by an economic structure dominated by small companies.

In terms of business support more generally, the majority of comments from interviewees highlighted the fragmentation and the urgent need for a more coherent approach to business support in Haringey. Criticisms were based on two key needs: rationalising business support provision, and improving clients' access to services on offer.

A number of business respondents and business support delivery organisations lamented the fragmentation of business support that created uncertainty for the business applicant. One respondent from a business support delivery organisation commented:

*Business support on the ground is delivered by 10-12 agencies. There needs more clarity for businesses in terms of accessibility and availability of support (DOH2).*

One business respondent summarised the issue of support effectively:

*There is not a big door saying come here and start your business in Haringey. There are lots and lots of little associations like HBDA and everything competing with each other to do it. They all should be in the same building, and then ah yeah you are that type of person so go through that door, you are that person go through that door (Bus H1).*

In addition, a number of interviewees criticised the targeting of business support provision as it was not suited to the needs of some of the small companies operating in the HCGS area. Thus, for instance, one respondent observed that business support organisations did not want to 'dirty their hands' with supporting food retail businesses (e.g. take aways), although Haringey is characterised by a large number of such businesses which can provide employment for low skilled people and migrants in the area.

*Business accommodation:* the issue of lack of premises was raised several times by a number of interviewees and was seen as a problem that cut across virtually all the clusters in the study. As one respondent from the council pointed out:

*One of our big issues in the borough is that there is not enough workspace, there is not enough affordable premises for new businesses and performing businesses, and this is one of the key priorities of Haringey CGS (HC 2).*

In terms of the development of business accommodation more generally, interviewees mentioned that some 30 key strategic sites were to be developed in the next three to four years. But priority was to be given to the development of residential housing of which some respondents expressed concerns about the limited space available for premises.

Additional interest was generated by the support for the development of incubation space and workspace in the area, particularly as a tool for new start up businesses to develop. At the time of writing, at least two or three incubator spaces

were located in Haringey, but some business respondents pointed out that such structures subsidised start up businesses to remain in the incubator as rents were maintained at a level that would not encourage firms to move out. As a result, the efficiency of the incubator was somewhat reduced as new start up firms could not be accommodated.

Although some clusters such as Clothing and the Creative Industries already had incubation units, these sites were not developed or influenced in any meaningful way by the CGS and have been created independently from the CGS with LDA funding and in other cases EU funding. In addition, other business support initiatives were provided but these have been found to be independent from the Haringey CGS. A number of these have been managed by LARC in support of small companies in the clothing cluster, and the Selby Trust in relation to support for micro-businesses in the Food and Drink cluster.

*Business environment:* respondents conceived of measures to improve the business environment as the quality of the transport system, traffic congestion, street lighting, parking access, streets' cleanliness, and the reduction of business crime. A marked difference between public and private sector respondents emerged in relation to this.

Public sector respondents recognised that the improvement of the business environment was an important part of a growth strategy for Haringey CGS as it concerned all businesses irrespective of their sector of activity. While a number of respondents emphasised the advantage of the Haringey transport system in terms of its connections to central London, others within Haringey council pointed out that traffic congestion was an important issue within Haringey. However, this was certainly a higher priority for the vast majority of businesses interviewed who were concerned with practical issues that would affect their businesses in the short term, particularly in terms of transport congestion and the lack and cost of parking space.

### **6.3.2 Approaches to LED in the City Fringe CGS**

Although the role of the CFP is broader and includes a commitment towards the creation of local job opportunities, the City Fringe CGS was firmly focussed on the growth of the indigenous business base with limited interest in linking economic growth with benefits for local residents.

The marked emphasis on the development of the CAGs, independently from a generic board, somewhat determined a more detailed strategy built around the drawing of private sector investment plans (the Jewellery Sector Investment Plan) and the Printing and Publishing Investment Plan) for both clusters. As briefly mentioned in section 5.3.3, the content of the JSIP is more detailed than the PPSIP mainly because the jewellery partnership had been in existence for a longer period than the printing and publishing partnership. This section focuses on illustrating the range of initiatives that were proposed by the two clusters.

*Branding and networking:* branding projects (e.g. international trade fairs) in both clusters were aimed at improving companies' access to international markets in order to counteract the threat of global competition. Such threat for the majority of respondents was mainly based on the ability of newly developed countries such as China, India, and South East Asia to compete on lower labour costs, although one respondent involved in the jewellery sector argued that China had been importing 'state of the art' machinery and equipment that many companies based in Europe should use to improve their competitiveness. In particular, the promotion of the cluster intended to focus upon the manufacturing of design-led jewellery which was seen as more innovative and of higher added value. Other initiatives such as the production of a directory for the Printing and Publishing cluster and the creation of websites and newsletters aimed to develop networking between companies and increase the involvement of local companies in the cluster.

In both clusters, networking initiatives were also proposed along the supply chain and across different sectors. For instance, networks between printers and publishers were established in order to facilitate the growth of relationships along the local supply chain. Both publishing and printing companies favoured the joining up of the two sectors in order to create some linkages which they felt would

be beneficial for the City Fringe area as printing contracts would remain within the locality rather than being outsourced somewhere else.

Similar initiatives were proposed between designers and manufacturers in the jewellery cluster in order to improve the production of design led jewellery. Increasing interaction between designers and manufacturers was perceived by almost all respondents as the way forward by creating a more sustainable industry characterised by an emphasis on design-led jewellery products as opposed to the traditional competition based on low cost of mass-produced jewellery goods. The pool of good quality designers available in London was seen as a major competitive advantage of the industry but so was the need for continuous designers' training. The creation of the jewellery visitor information centre was seen as fulfilling this particular need as well as providing a physical space to showcase new innovative design.

*Business support and development:* both clusters proposed initiatives of tailored business support targeting established businesses. The areas covered all the major aspects of running a business and were provided, at least in the case of the PPSIP, at a subsidised rate with half of the cost footed by the businesses supported. While the JSIP targeted only established businesses, the PPCAG also included initiatives to provide support for start up companies.

In some instances, the direction of business support in the two clusters was rather different. On the one hand, the JSIP proposed to develop an initiative examining a variety of business models ranging from top end bespoke products to mass markets. On the other hand, the PPSIP followed a different approach focussed on a series of seminars targeting printing companies to improve their understanding of local procurement practices of the public sector and large publishers.

*Business accommodation:* proposals to tackle the problem of cost and availability of premises were a strong feature of the JSIP but were not included in the PPSIP. Respondents in the jewellery cluster pointed out that the reason for the relocation of a significant number of companies operating in the sector was due to the rise in rents and rates and the preference for the development of luxury apartments and

offices rather than other types of commercial properties more in tune with the development of the sector. Research undertaken for the publication of the JSIP (MCA, 2004) found that manufacturers experienced the pressure of rent increases, had short-term leases of less than five years, and were likely to relocate if no alternative had been found.

This situation moved Camden Council to change its unitary development plan in order to protect and create new jewellery space and to include in the JSIP the supply of affordable workspace targeting both established and start up businesses. A number of spaces were identified including the Jewellery Visitor Information Centre and Cockpit Arts which offered a long tradition of managing workspace for both established and start up companies.

A similar set of findings was mentioned by the BOP (2004) report commissioned as part of the CGS and underpinned the development of the PPSIP. This mentioned rising property prices and the conversion of commercial space into residential and other use as undermining elements for the location of printing companies in the City Fringe. Surprisingly, however, initiatives to tackle the problem of cost and availability of premises were not mentioned in the PPSIP.

*Business environment:* as previously mentioned, the City Fringe CGS focussed more heavily on the nature and development of the clusters rather than the improvement of the general business environment. The lack of attention for these problems is not surprising if one considers that they are not part of the remits of the City Fringe Partnership. The City Fringe Partnership covers four boroughs where attitudes towards crime, street lighting and environmental cleanliness, parking, traffic congestion etc are primarily the responsibility of local authorities. These often approach these problems in very different ways. One exception to this was the proposal, contained in the JSIP, for the development of a Business Improvement District in Hatton Garden, but this was not mentioned by participants to the study and did not seem to represent a priority for the area.

According to research undertaken by MCA (2004) and underpinning the creation of the JSIP, some concerns were expressed by businesses in terms of parking

restrictions, the congestion charge, and crime/security. A successful private sector-led initiative to enhance security in Hatton Garden was set up independently from the CGS. Following the robbery of one of the jewellery shops, a number of companies joined up and contracted a security company to patrol the area. Respondents judged the initiative as very effective in deterring additional crimes from being committed. However, in terms of other issues such as the congestion charge and parking restrictions, businesses interviewed seemed to prioritise issues more specifically related to the development of the jewellery cluster.

Transport was viewed as a major problem for printing companies that still rely heavily on carrying a physical product. The congestion charge and other measures to reduce traffic were perceived by companies as having a negative impact on business performance (BOP, 2004). However, the report did not specify whether businesses mentioned some of the benefits related to the introduction of the congestion charge such as the reduction of traffic.

#### **6.4 Conclusions**

The first part of the chapter demonstrates that it is difficult to isolate clear competitive advantages and relate these to the broader economic regeneration of the two areas. The different process of restructuring in the two areas provides insights as to where economic growth is currently occurring and where it is likely to occur in the future. A strategy based on the competitive advantages of the two areas should therefore focus on enhancing service sector activities such as business services, real estate in the City Fringe and wholesale, catering and retail in the Haringey CGS area. In addition to broader changes in the economic structure of the two areas, the emphasis on these sectors takes into account in the City Fringe, the proximity to the City of London as a global financial centre, and the relatively lower cost of premises. In Haringey the importance of the lower cost of premises, access to a transport infrastructure as well as the internal size of the demand from residents are important bases for competitiveness.

There are, however, a number of weaknesses, particularly in terms of attempts to pursue the different elements of competitive advantage (i.e. proximity to markets, cost and availability of land, and the availability of a particular local labour pool).



Firstly, the cost of land in the two case study areas can be considered an advantage in relation to nearby buoyant areas, and there is potential availability of premises as vacancy rates are high. However, the two case study areas and London more generally (Gordon et al, 2004) suffer from a systematic mismatch between supply and demand within the property market which effectively constrains the number of properties available and, as a result, creates significant problems in supporting economic growth strategies. These various influences are determined primarily by private sector decision making processes but have some roots in public sector planning mechanisms and regulations. Strategies in both areas responded to this challenge by emphasising the importance of publicly subsidised incubation units and workspace facilities to support start-up and established businesses.

In addition, the inelastic supply of properties that is characteristic of the UK property market is rather different from the mechanisms that govern the functioning of the property market in the US. Thus, Porter's (1995) analysis of land as a competitive advantage for US inner city areas is explained primarily by emphasising the lack of demand, rather than the inelastic supply of properties. The lack of demand for properties in the US is chiefly responsible for the extent of physical decay of some US inner city areas. In that context, therefore, the availability of land at a lower cost can be considered a competitive advantage that might entice businesses to locate in inner city areas in the US. However, that does not apply in the UK where the absence of private sector investment in deprived urban areas is driven by an inelastic supply rather than lack of demand of premises.

Secondly, the presence of a local labour pool can be seen as both an advantage and a disadvantage. Its advantage lies in its availability and low labour costs rather than on the range and quality of the skills available. From a purely economic perspective, the greater population growth of the City Fringe, with a high proportion of newly arrived migrants, constitutes an advantage to this area as wages can be kept low. However, it does put the local labour market under growing pressure through the maintenance of high levels of deprivation. In addition, some areas of deprivation have a very high proportion of people that would be difficult to get into work. Thus, irrespective of the economic strategy adopted, measures would need to focus on tackling the social and cultural issues of certain areas. This

means that addressing the social problems of some groups should be the priority, while employment strategies should be considered as a further step. The two areas focussed primarily on workforce training to enhance the competitiveness of firms, and some entry-level training.

Thirdly, there is also a contradiction in terms of a coherent strategy based on competitive advantage. Although the emphasis on business services in the City Fringe is important because of its proximity to the City, it would not contribute to the employment of local residents as this sector needs increasingly more highly skilled individuals than those living in the area. In relation to Haringey, the situation is different as the sectors identified (i.e. food and drink, wholesale, and retail) as exploiting proximity to markets, would also primarily employ people with low skills and therefore exploit another advantage of low cost and greater availability of the local labour pool.

Fourthly, the presence of a growing ethnic minority population, and the dynamism of BMEBs can be considered as an important competitive advantage. Furthermore, despite the increasing involvement in higher value added activities (e.g. professional and IT), BMEBs are still concentrated in particular sectors (e.g. clothing, food and drink manufacturing, wholesale and retail) that exploit the broader competitive advantages mentioned above and traditionally employ people with lower skills who are abundant in the locality. BMEBs are also more likely to employ people from an ethnic minority background, therefore providing local job opportunities and more likely to target niche markets which might offer goods and services for the local community.

Strategies developed in Haringey reflected the confusion of some of the respondents in relation to the priorities for the area, some pointing to the importance of inward investment, others to endogenous growth. Despite this, in terms of the proposed initiatives, Haringey CGS was firmly based on endogenous growth. In the City Fringe, the strategies proposed were certainly more clearly focussed on endogenous growth in both jewellery and printing and publishing clusters. Haringey was partly compatible with the competitive advantages identified above, at least, in relation to the Food and Drink wholesale,

manufacturing, and retail, and clothing which focus on key strengths such as proximity to central London and the internal size of demand for goods and services. The other clusters, such as ICT, did not present a clear competitive advantage at least in relation to proximity to markets, and is unlikely to take advantage of the skills of the local population.

The City Fringe's focus on the jewellery sector does not apply this kind of reasoning. It does take advantages of the proximity of the City of London as a consumer market characterised by people with high incomes that might buy jewelleries in Hatton Garden. Printing and Publishing can be considered a business support service and has clear links with the City of London. However, the reasons for the CFP pushing these particular clusters are more complex and not solely related to economic reasons. These are discussed in more detail in the next chapter.

In terms of implementation, some respondents (particularly public sector officials) claimed that a wide range of initiatives had been implemented under the CGS. However, the triangulation of material collected revealed that a considerable number of these were pre-existing or independent from the development of the CGS. As a result, the initiatives implemented as part of the CGS in the two areas were found to be limited. Although the City Fringe CGS developed clear private sector investment plans for the two clusters, only a few initiatives were implemented. These primarily focussed on the creation of networks to facilitate collaborative work between companies (e.g. websites). In terms of Haringey, implementation was also limited but exhibiting a greater degree of dynamism particularly in terms of the development of some training courses in ICT, and Food and Drink as well as promoting the creation of networks between companies.

This chapter identified some of the tensions between the competitive advantages/disadvantages and the strategies and initiatives pursued as part of the CGS. The next chapter discusses some of these issues in more detail to highlight the tensions between policy and practice and the different experience of the two case study areas.

## **7 COMPETITIVENESS IN PRACTICE: THE CASE OF THE CGS**

### **7.1 Introduction**

The conclusions from the previous chapter highlighted some discrepancies between the competitive advantages and disadvantages, and the strategies and initiatives proposed in the CGS in the two case study areas. This chapter takes the analysis of these contradictions further, by demonstrating the tensions between the initial assumptions of the CGS and the strategies and initiative proposed in the two case study areas, as well as highlighting the different experiences of the two areas. The analysis draws on primary and secondary sources and relates these to the wider literature on the CGS and local economic development.

The first part of the chapter focuses on analysing the differences in interpreting the CGS in the two areas. Key differences were identified in relation to the previous experience of business involvement, the relationship with delivery organisations, and the focus of the strategy in terms of the emphasis on endogenous and exogenous growth, and cluster specific interventions against cross cutting measures.

The second part discusses the tensions implicit in the translation of the concept of cluster into practice. These stem from empirical difficulties in identifying a cluster, in the political rather than evidence based process of the selection of clusters, and in defining the boundaries of clusters. The latter, in particular, is a problem in the context of designing strategies that focus policy action upon concentrated pockets of deprivation.

Finally, the impact of the CGS on increasing job opportunities for local residents is examined. Some sectors identified by the CGS appear to be better positioned to create job opportunities and respondents stressed some forms of training over others. Thus, a section is devoted to examining some of the issues that the CGS in the two case study areas presents in terms of their impact on employment opportunities for local residents.

## **7.2 Differences in interpretation of the CGS in the two case study areas**

### **7.2.1 The different focus of the two managing organisations**

Both organisations have grafted the CGS onto existing strategies for the economic development of the area. However, the different background and objectives of the two organisations has had a significant impact on how strategies were developed resulting in the City Fringe CGS being better positioned to apply the CGS in practice. A range of evidence from fieldwork interviews supports this conclusion.

Firstly, the process of adoption of the CGS was facilitated by the previous engagement of the City Fringe Partnership in regeneration programmes. As one respondent from the City Fringe Partnership commented in relation to Porter's analysis of the competitive advantages of inner cities:

*It helped to highlight some of the values of what we were already doing" (CFP 2) and again "his theories found us rather than us finding a theory that fit what we did (CFP 2).*

In fact, the City Fringe Partnership had a considerable history of engagement with the private sector beyond that in the development of the jewellery cluster, and a clear focus on endogenous strategies aimed at exploiting the opportunities offered by its proximity to the City of London. It was therefore easier for the City Fringe Partnership to adopt the CGS as a strategy and build it into their existing programmes. On the other hand, Haringey council was not sufficiently prepared to develop the CGS, partly because of the lack of private sector involvement, and partly due to the lack of understanding of the essentially endogenous nature of the CGS. This was apparent in the council's attempt to attach the CGS onto existing council strategies that focussed on both exogenous and endogenous development.

Secondly, a key characteristic of the CGS is its emphasis on placing the private sector at the centre of the strategy and implementation process. This means that the design of the strategy is to be built upon an analysis of the needs of the private sector. Some evidence indicates that the City Fringe CGS effectively attempted to prioritise the needs of the private sector, at least, in the two clusters examined. As

one public sector official from the City Fringe CGS involved in the development of the jewellery cluster commented:

*We have been very specific with businesses to say, this is not about bidding for funding, this is about identifying what the industry needs [...] and I think that that has been a bit of a mind shift (CFP 3).*

On the other hand, the Haringey CGS showed greater attention towards meeting the priorities of funding bodies as opposed to placing business needs at centre stage. This was manifested in the interpretation of the CGS as a 'pot of money' to help with the development of existing initiatives. Thus, funding was allocated according to the priorities of funding bodies and public sector agencies involved in the process with little real consultation of businesses needs. As one participant from a public sector organisation put it:

*Normally economic development is people from the borough council, voluntary sector and people from Business Links saying what businesses want or should want (Public CF).*

Thirdly, since the private sector is supposed to be the leading body, business presence on the board is expected to be greater or at least proportional to other interests representing the public sector and delivery organisations. However, the process of involvement of delivery organisations was limited in the City Fringe and substantial in Haringey. According to respondents, such a high representation of delivery organisations reflected the experience of the SRBs. In this context, delivery organisations had an active role to play in shaping the course of the partnership and the types of projects that were then implemented on the ground. As one respondent observed:

*The [SRB] was very much delivery agent orientated in that you put out a call and people that generated the ideas of what SRBs would look like in terms of delivery was dictated by the delivery agent. It did not grow out of what the businesses thought it would impact on their competitiveness (Camden C).*

The presence of a number of delivery organisations in Haringey was seen by some respondents from the private and public sector as a key problem.

On the other hand, the jewellery sector in the City Fringe CGS did not follow this path. The partnership involved a very limited number of delivery organisations and their power was weak from the beginning. As one respondent commented:

*We did not bring in the delivery agencies on until the end, quite a lot of noses were put out of joint because people were not used to that, people were used to being able to say what they thought it should go in the pot [...] they felt quite cut out (Camden C).*

And interestingly, the same participant observed that the role of delivery organisations in the CGS changed substantially:

*We are going to see what they [businesses] really want and you [delivery organisation] are going to have to respond to it rather than the other way round (Camden C).*

This can be taken as further evidence that the needs of businesses in the Jewellery sector were at the heart of the process and signalled a break with past regeneration programmes. The SRB, for instance, was characterised by a significant presence of delivery organisations that would greatly influence the direction of implementation on the ground. The quote represents a clear break of influence from the delivery organisations to the private sector. It also means, however, that an effective relationship between public and private sector tended to exclude any other representatives from actively participating to the partnership process. The limited involvement of delivery organisations was seen as a pre-condition for the manifestation of private sector interests. The involvement of delivery organisations would have shifted the agenda from a focus on private sector agendas towards a more pluralist set of arrangements.

However, it is also important to remember that the process of exclusion of delivery organisations was particular to the jewellery cluster experience and was mainly due to the historical development of the partnership, which arose from the specific needs of the private and public sector in the area. Conversely, the Print and Publishing cluster in the City Fringe CGS involved a substantial number of delivery organisations and hence followed a different mix of involvement. The same broadly applies to other clusters in the City Fringe CGS, some of which did not

have business representation at all (i.e. Health and Social Care). Thus, these conclusions cannot be extended to the whole of the City Fringe CGS experience.

### **7.2.2 Endogenous versus exogenous approaches to development**

This section aims to highlight a range of different interpretations of the CGS in relation to endogenous and exogenous growth by individuals involved in the CGS at different government levels, in delivery organisations and in the private sector. It also provides a practical example of what was stated in the previous section, namely that the Haringey CGS fitted the CGS into its existing council strategy for the economic development of Haringey.

Recent and not so recent policies promoted by the government aim to stimulate the growth of entrepreneurship in particular localities by building on the endogenous business base. Endogenous growth was given importance thanks to a number of documents (HM Treasury, 1999; SEU, 2004) and the direct intervention of the former Chancellor of the Exchequer (Brown, 2001). More recently, the emphasis on LEGI (Local Enterprise Growth Initiative) showed the continuing preoccupation of central government with stimulating entrepreneurship in deprived areas (HM Treasury, 2005), and even the Economic Development Strategy (EDS) of the LDA was prioritising a strategy based on:

‘Addressing barriers to enterprise start up, growth and competitiveness’  
(LDA, 2005: 43)

Both case study areas showed in practical terms, an endogenous approach to development if the practical interventions proposed are considered. These broadly range from different types of training (i.e. workforce, pre-entry, management etc), promotion of networking between companies, business support, workspace, branding, and local procurement.

However, not all responses matched these proposed initiatives and this might ultimately still impact on the range of initiatives practically implemented on the ground since space for change is still possible. Variations were identified between groups and case study areas. In Haringey private sector and delivery organisations



did favour an endogenous approach, but local public sector agencies were more inclined towards the pursuit of a more mixed approach combining endogenous and exogenous approaches. Thus, for instance, delivery organisations and private sector companies stressed the need to develop more endogenous strategies emphasising the importance of stimulating a multiplier effect through a focus on encouraging the growth of the multitude of self-employed and small companies located in the area. On the other hand, Haringey council adopted a different approach. Interviews with public officials as well as evidence related to the future direction of the CGS demonstrates that Haringey CGS adopted a mixed approach combining both endogenous and exogenous approaches. This in part reflects the perceived need for the area to attract mobile investment (HCGS, 2003).

Thus, a public official from Haringey council observed:

*Part of the strategy looks to empower and nourish our local businesses but there is inward investment as well. It is a double angle, it is a double edge knife, you try to encourage your local businesses to blossom and take on local employment but also at the same time attract through network other businesses into the borough (HC 2).*

This consideration was also reflected in the strategy document produced where it is recognised that Haringey did not have a strong image as a place in London to do business, and put forward a number of actions to develop inward investment initiatives (HCGS, 2003). Other evidence comes from a report underpinning the creation of the Haringey CGS:

*The initiative is seen as a strategic project aimed at improving the prospects in the borough by strengthening its competitiveness, business development and performance through indigenous growth and inward investment (PACEC, 2002: 5).*

More recent development of the Haringey CGS has demonstrated that the future of the strategy is towards a greater role for exogenous development. Firstly, there is the recognition by interviewees engaged in this particular stage of the process that Haringey needs to become renowned as 'a positive place to do business' (HC off 2).

Secondly, the new managing organisation, North London Ltd, is the inward investment agency for the borough and as one respondent observed, it is responsible for

*attracting businesses into the region, whether they are from overseas, whether they are from other parts of the UK, whether they are from other parts of London, it is essentially promoting the area, working with businesses to help them relocate to the area (Public H2).*

On the other hand, both delivery organisations and public sector agencies in the City Fringe CGS demonstrated a coherent focus on endogenous growth, partly because the City Fringe had already high levels of inward investment (GHK, 2003) and partly because of the orientation of the City Fringe Partnership over time.

Further away from the local area to the regional level, the LDA was concerned with both endogenous and exogenous types of development. The two approaches were employed interchangeably during the interviews. As one observer pointed out:

*For a lot of people even to certain extent the LDA, there is an assumption that you can bring in big logistic firms (ConH).*

Additional evidence emerges from the examination of published and unpublished material (LDA, 2003; SBS, 2004; EDAW, 2005), although inward investment appears more prominently in the most recent publications concerning CGS rather than in the first published documents (e.g. SBS, 2001; ICIC, 2002).

There are at least three reasons explaining the importance placed by actors upon inward investment. Firstly, a possible shift towards inward investment was deemed as necessary in order to show CGS impact in the short term (i.e. to achieve quick wins). There is some evidence that officials within the LDA realised that inward investment would be the quickest way towards creating an impact in the area that would help with justifying the existence of the CGS. This conclusion is based on the consideration that the new structure of the CGS is very much focussed on the stimulation of inward investment and the LDA stressed numerous times that there was a need to secure 'quick wins' which meant that impact needed

to be shown in the short term in order to demonstrate the success of the CGS approach.

Secondly, the focus of the CGS is not clear at the policy level as it combines endogenous and exogenous approaches to development. On the one hand, the concept of cluster is strongly associated with an endogenous approach to development as it focuses on the potential for the growth of businesses linked by relationships of competition and collaboration in a particular geographical location. On the other, notions such as 'underserved markets' and the need for 'changing the perceptions' of the private sector belong to a more exogenous model which aims to change the negative perception that large companies have of inner city areas and therefore increase their investment in these areas.

For instance, a report by the DTI (2002) on 'underserved markets' showed how this particular strategy aimed to attract large companies such as Tesco, Sainsbury, Lloyds and McDonalds into areas characterised by problems of multiple deprivation. The same report included the CGS as one of the government programmes dedicated to facilitate the development of the notion of 'underserved markets':

'There are a range of initiatives in place [e.g. CGS], or in development, which can help businesses to identify and take advantage of the opportunities in under-served markets' (DTI, 2002: 31).

However, the notion of under-served markets can also contribute towards endogenous growth in that attracting large retailers (e.g. Tesco, Sainsbury etc) may generate a positive spill over effect on local shops including increased attraction of customers, and large retailers potentially contracting out to local suppliers. This seems to be the case in Harlem (US) and Tesco Extra in Springburn (UK) which concluded that

'It had a mainly positive effect on the built environment and the local retail structure' (Dunford, 2006: 76).

However, if such large retailers make use of existing supply chain relationships with companies located outside the immediate area, and given the negative impact

on local shops that sell similar products (Arnold et al, 2000), there can be negative impacts upon the local economy. In this last case, the problem is likely to worsen over time as large retailers in the UK offer an increasingly wider range of products (e.g. clothes, electrical appliances etc). This may have a negative impact on a growing number of local companies. In particular, it may decrease the flow of customers to local shops. Generally, however, there are a limited number of studies on the impact of large retailers on local businesses as the literature has been more concerned with job impact evaluations (Dunford, 2006).

If the attraction of mobile capital beyond just retail is considered, it is again possible to combine the concept of endogenous with exogenous growth. Porter's concept of cluster represents an example of endogenous growth as it emphasises the importance of linkages between companies in a location and how such linkages can contribute to new business formation, productivity, innovation and, ultimately, competitiveness (Porter, 2000). However, it could be argued that the attraction of specific companies from outside the area would benefit the growth of local clusters. This seems to be the rationale behind some reports commissioned as part of the CGS phase 2 (OCO, 2004).

While it is important to underline these possibilities, the two case studies examined were far from considering the possibility of attracting companies from outside the area to reinforce the cluster. As discussed in chapter two, the attraction of companies to an area is hampered by the widespread poor business environment of deprived urban areas and, partly, by the negative perception of companies towards these areas (Porter, 1995). In this context, it is important to remember that most of these areas suffer from decline because of the processes of de-industrialisation that have occurred. It is not the objective of this study to examine the reasons behind the fleeing of these companies, but as these areas show the same basic problems of inadequate skills, poor business environment, crime, and congestion as they did several years ago (Gripaios, 2001), a strategy based on inward investment is difficult to translate in practice.

Given the UK policy tradition, inward investment strategies could pose some problems. Enterprise Zones, for instance, attracted companies into deprived urban

areas by offering incentives such tax breaks, land planning regulation, etc. which constituted a direct intervention of the public sector with the ultimate result of markets being distorted. Contemporary area based policies are trying to move away from direct intervention of the public sector towards measures that enhance the competitiveness of firms. Porter (1995) is also clear that enterprise zones attracted companies thanks to subsidies, but longer term growth will only come if such companies locate in deprived areas because they find a competitive advantage operating from there.

Finally, in the context of endogenous and exogenous growth policies, it is also important to take into account the likely tension between exogenous attraction of companies into an area and the presence of the local private sector on the CGS board. This study found that private sector respondents agree on an intervention directed to the growth of the existing business base which included their business too. In this context, it is important to highlight that it is rather difficult to balance the interests of local businesses with the attraction of inward investment, unless it can be demonstrated that the incoming company will generate improved opportunities for such local businesses.

### **7.2.3 Long term versus short term approaches to development**

Another key proposition of the CGS is to create sustainable development. This is to be achieved by involving the private sector effectively (CGS, 2001). This proposition mirrors Porter's (1995) analysis of inner city areas. There is, in both, the belief that economic strategy clearly focussed on the involvement of the private sector in partnership arrangements can provide a sustainable approach to the development of inner cities areas.

All public sector respondents at all levels shared the same commitment for a long term, sustainable model to the development of the CGS in both areas. Respondents felt that the effective involvement of the private sector both at the strategic and delivery levels was crucial in securing long term sustainable development. A comment from a CFP official was revealing:

*The CG is about getting businesses long term to invest in their industry and that will create a sustainable model (CFP 3).*

However, in practice, there was conflict between the creation of a sustainable approach to development achieved by involving the private sector effectively in partnership and the need to secure 'quick wins' and show impact to funding bodies in the short term. This tension emerges from the comparison of the two case study areas. Thus, the Hatton Garden Jewellery Centre Partnership (HGJCP) conceived the development of the cluster as a long term process that was based on creating a relationship between individuals with a common purpose. As one respondent from the City Fringe CGS put it:

*Because it is hopefully about a meaningful public-private partnership which is a legacy in itself rather than a legacy which is about a building that someone had developed [...] There is legacy of relationships which, I think is more meaningful, hopefully, a far more meaningful thing than just having pumped loads of money into an area and hoping that some of it sticks [...] for me, for what is worth this is a ten years process (J Bus 4).*

Thus, there is an acceptance here that the basis for sustainable development is directly linked to a long-term legacy between private and public sector. The relative success of the HGJCP in preparing an elaborate action plan (i.e. JSIP) for the industry also lies in the fact that the partnership had been in existence longer than any other partnership examined in the study. The long-term contact between actors created the trust that was necessary for the private sector to make a contribution. Respondents were looking for a:

*Public sector investment that then triggers long term either match private sector investment, matching or in excess of, or in alternative something that over a period of time becomes an income generative (J Bus 4).*

The importance of time in building relationships and the resulting strength of the partnership is also an important element of some ICIC work with a biotechnology cluster in the US (Porter, 2002) and has been highlighted as one of the key features in the Urban Regime literature examined in chapter three.

In contrast, the Haringey CGS did not exhibit a clear attempt to build a long term partnership. Its emphasis on 'badging' initiatives from previous programmes, the minimisation of private sector involvement on the board, and the lack of attention to business needs suggests that Haringey was not interested in building a sustainable partnership but just in attracting additional, albeit limited funding for policy research and implementation.

However, the establishment of a long-term relationship of collaboration is frustrated by both public and private sector interests and actions. As one respondent observed:

*The LDA is about quick wins. It is like, we want a business centre built, CG business centre wonderful. Ten businesses in there, managed workspace, getting training and then get out. That is fine, [but] how sustainable is that and what situation will be in 10 years time? (ConH).*

The emphasis on delivering in the short term is evident from other pilots outside the CGS area. A respondent from London Western Arc (CGS phase 2) commented that they did not have sufficient time to persuade local authorities of the value of their work. A study from Taylor (2003) also found that the emphasis on delivery in Haringey is particularly of high priority.

In addition, evidence from respondents showed a tension between the private sector and the public sector in respect of their ways of working. If a genuine partnership can only be created in the long term through the promotion of 'trust' between private and public sector actors, many businesses want to see results in the short term. Securing long term involvement and engagement of the private sector is conditional upon public sector delivering a range of 'quick wins' in order to maintain strong private sector commitment and increasing trust between actors. As a number of interviewees pointed out the private sector needs to believe that the public sector can deliver on its promises. Support for this comes from respondents engaged in the management of the CGS at national level as well as

from unpublished evidence<sup>1</sup> from CGS pilots around the country including Derby CG phase two.

The need for businesses to see results in the short term seems to be linked to their size. Within Haringey CGS, evidence shows that short term interventions are crucial to maintain high engagement especially when small firms are involved because they have the least time and resources to spend in attending partnerships. In the case of large firms (as in the HGJCP), short term interventions are still necessary, but there is more flexibility as their participation is facilitated by the relatively higher amount of resources and time at their disposal.

Thus, when large local businesses are not available or difficult to recruit, as in the Haringey CGS, it is even more crucial for the public sector to meet the demands of businesses in the short term to work towards a sustainable approach in the long term. Thus, long-term partnership building needs to meet a series of short-term targets in order to facilitate the process of involvement of the private sector.

#### **7.2.4 Cross cutting or cluster specific interventions**

Another important difference in the structure of the CGS is the emphasis of the Haringey CGS on the board as the main strategic body, while the City Fringe CGS places greater importance to the CAGs that are cluster specific. This has an important set of implications for the commitment of the members, and their contribution in terms of expertise to the development of the cluster.

As mentioned in the descriptive chapter, the role of the Haringey CGS board is to provide strategic direction for the CGS, particularly in terms of joining together a range of cross cutting themes emerging from the work of the Cluster Action Groups (CAGs). These emphasised some of the recommendations highlighted by Porter (1995) who made clear that public sector support in inner city areas should focus on enhancing the conditions of the external business environment. This includes the way companies compete and collaborate with each other (e.g. the

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<sup>1</sup> Presentation at a Conference entitled "City Growth Strategies. Sharing the learning", Le Meridien, London, 22<sup>nd</sup> March 2006



notion of clusters), the physical (e.g. premises) and transport infrastructure (e.g. traffic congestion, parking), business crime and a more general set of other characteristics (e.g. street cleanliness, public lighting etc) and land planning and regulation. This approach has its merits in the effective spending of public sector resources as it benefits all sectors of business activity across the spectrum and also contributes to improve the image of the locality to outside investors and businesses considering re-location.

However, despite some limited cluster specific interventions described in chapter six, the focus of the Haringey CGS board on cross cutting issues prevented them from appropriately assessing the needs for cluster specific intervention. The limited participation of business champions from the various CAGs meant that the board did not have specific expertise in any of the clusters (i.e. Food and Drink, ICT, creative industries, and clothing) and it was therefore badly placed to assess the merit of specific interventions. As one LDA official put it:

*A generalist board is not going to understand what the details of the specific sector are because it is people in the CAG that have got the expertise (LDA4).*

In addition, projects proposed by one of the CAGs were often not applicable to other CAGs. This led to some dissatisfaction from some business champion participants that were not too interested in the issues concerning other sectors. This led one business champion to conclude that the participation on the Haringey CGS board

*did not appear to have any purpose, discussions just meandered everywhere, and I was not interested in half of the stuff that other people were doing (Bus H5).*

On the other hand, the City Fringe CGS showed a strong focus on the development of CAGs and their specific priorities. Evidence of this was a clear remit to produce a cluster specific private sector investment plan that focussed on the needs of their own clusters and proposed projects that may or may not have coincided with the need to deliver improvement in the business environment mentioned above. In this case measures were focussed on the introduction of cluster specific measures

such as training programmes to tackle particular cluster skills gap, and the creation of spaces for the development of the cluster such as the jewellery visitor centre.

The emphasis on these two types of policy intervention reflects some of the ambiguities implicit in Porter's writings. While Porter's (1995) analysis of inner city areas places strong emphasis on the need to tackle general issues of the business environment, the policy implications for the concept of cluster (Porter, 2000) pay more attention to building assets that are specific to particular clusters (i.e. specialised training support, linkages between firms vertically and horizontally) that would eventually lead to product and process innovation, greater productivity, and improved competitiveness (Ibid). This ambiguity of emphasis generates confusion as the two case study areas demonstrated.

In line with the discussion in chapter two, an economic development programme based on the development of clusters needs to start from designing and implementing measures that are specific to that particular cluster. The need for faster and effective product and process innovation in a context of global competition places emphasis on the need to develop cluster specific infrastructures and cluster specific training methods (Porter, 2000; Amin, 1998).

### **7.3 Clusters: utility of the concept**

The notion of cluster is one of the most crucial elements of the CGS and has been subject to long-standing debate within a variety of disciplines. This section is concerned with analysing how the notion of cluster was translated into practice within the CGS by examining, in particular, how clusters were identified, prioritised and understood by respondents.

#### **7.3.1 Empirical difficulties**

Measuring a cluster presents a number of difficulties. Statistical data such as input/output tables are often available only at national level, thus the CGS as well as the regional cluster mapping undertaken by the DTI (2001) relied upon location quotients (LQs) that measured a location's share of a given industry's national

employment relative to the region's share of total national employment<sup>1</sup>. However, this indicator presents a number of weaknesses. Firstly, it is difficult to gather the extent and the quality of the linkages or potential linkages between firms because they often belong to very different sectors. Even Porter admits that this work involves

'A creative process informed by understanding the most important linkages and complementarities across industries and institutions to competition' (Porter, 2000: 17).

Thus, in practice the CGS complemented the use of employment concentration with specific quantitative and qualitative investigations including a number of businesses in a particular sector and in a particular area in order to build up a sense of such linkages (PWC, 2006). In both case study areas, these took the form of a business survey aimed at examining supply chain linkages between companies (PACEC, 2003a; MCA, 2004; BOP, 2004). However, linkages between companies in these reports were based on SIC industrial classification and, as Porter (2000: 18) admitted:

'These fail to capture many important actors in competition and linkages across industries [to the extent that] significant clusters might be obscured or even unrecognised'.

### **7.3.2 Evidence based policy: the basis for cluster prioritisation**

The government in recent years has increasingly sought to promote evidence based policy in the recognition that in the past, there has often been a lack of evidence to underpin policy approaches (Wallace, 2001). In this context, the CGS represented a step towards such an approach as strategies were underpinned by a clear empirical examination identifying a number of clusters for support. However, if the need to provide data for an evidence based policy drove, to some extent, the process of identifying what types of clusters were operating in the two case study areas, the process of prioritising some clusters over others for intervention was driven by considerations other than purely empirical research. As discussed below,

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<sup>1</sup>  $LQ = (E_{ij}/E_j)/(E_{in}/E_n)$  where  $E_{ij}$  is employment in industry 'i' in region 'j',  $E_j$  is total employment in region 'j'.  $E_{in}$  is national employment in industry 'i',  $E_n$  is total employment (DTI, 2001)

these considerations ranged from economic (i.e. decline of sectors, employment loss, re-location of companies) to political (i.e. easy access to public funding, and the existence of pre-existing networks between the public and private sector).

As was noted in chapter five, Haringey CGS cluster selection was informed by evidence based research (PACEC, 2002; 2003), while both the cluster analysis for the Jewellery (MCA, 2004) and Print and Publishing (BOP, 2004) in the City Fringe CGS were published in 2004, after the selection of clusters was made. This shows that evidence based research informed Haringey's decision on cluster prioritisation, while the same applies only to some extent to the City Fringe. While the jewellery cluster had undertaken a number of studies before prioritisation and therefore had a good knowledge of the cluster, the choice of Printing and Publishing was not based on any evidence at all. In fact, such evidence was produced subsequently thanks to CGS funding. With this in mind, this section highlights the process followed by the two case study areas in prioritising clusters for support, and the various reasons behind the selection of each cluster.

It is important here to return to the basic definition of cluster advanced by Porter (2000: 15) and initially discussed in section 2.2.1, in order to create the basis for understanding the rest of the section. A cluster is defined as:

‘A geographic concentration of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (e.g. universities, standard agencies, trade associations) in a particular field that compete but also co-operate’.

In this context, a basic range of criteria to identify a cluster should start from an assessment of whether or not firms in related industries are spatially concentrated, the extent of backward, forward linkages and collaboration between companies in the area, and the presence of local sector specific organisations.

If these are the most obvious elements contained in the notion of cluster, in practice it is evident from CGS strategy documents that other elements were added on when cluster prioritisation occurred. These included the size and growth/decline of the industry's employment base, the creation of job

opportunities for local residents, and the local presence of sector specific support organisations. The rest of this section discusses the balance between the key attributes of a cluster and the other elements that have emerged from strategy documents, and the examination of primary sources (Table 7-1).

The Clothing cluster in Haringey CGS showed a high spatial agglomeration, as measured by Location Quotient, in terms of its Cut, Make and Trim (CMT) sub-sector but no important concentration of other sub-sectors such as manufacturing (PACEC, 2003a). In addition, the business survey conducted by PACEC (2003a) showed that networking was weak and the majority of forward and backward linkages took place outside Haringey. Thus, if the notion of cluster is applied strictly, clothing did not seem to present the basic elements of a cluster.

However, if additional elements were examined, such as the size of employment as well as its links with disadvantaged groups, its importance is considerable (PACEC, 2003a). Despite this, one of the respondents involved in this industry made it clear that a strong rationale to select the CGS was based on the evidence that:

*Within six years clothing manufacturing will be non existent in Haringey (HC 2).*

The sector offered an opportunity to build upon existing links between businesses in the Florentia Village and a local support organisation LARC (London Apparel Resource Centre) that was actively engaged in providing a wide range of support services for the local CMT and manufacturing companies. Public sector investment in the sector had been considerable over a number of years and LARC was only one example of a number of public sector funded interventions to support clothing companies in the area (PACEC, 2003a).

From this description, it seems clear that three key factors contributed to the prioritisation of the clothing cluster. Firstly, the situation of employment decline the sector was experiencing; secondly, the strong tendency of the sector towards employing disadvantaged groups such as ethnic minorities and women, and thirdly, the presence of an existing support infrastructure primarily determined by a long-term involvement of the public sector.

On the other hand, Food and Drink in Haringey was very different from clothing. It did not show the same extent of spatial agglomeration but forward and backward linkages were much more localised (Haringey and the rest of London) reflecting the variety of activities included in the industry (i.e. wholesale, retail and restaurants). There was little evidence of networking and collaboration between companies and no sector specific support institutions. The sector was characterised by its high level of employment (12% of all employment in Haringey) with food retail employing half of all those working in the sector, and that it had been experiencing considerable growth. As with clothing, the sector offered job opportunities for a vast proportion of ethnic minorities and, in addition, for people with low and basic skills. Thus, the choice of this sector was based on the positive impact it had on the Haringey economy in terms of stimulating a multiplier effect via backward and forward linkages, as well as exhibiting both strong employment growth and availability of job opportunities for disadvantaged groups.

The analysis of the creative industries<sup>1</sup> showed relatively strong spatial agglomeration of businesses in a particular area of Haringey, although backward and forward linkages occurred between companies across London rather than within Haringey. Businesses exhibited strong networking and collaboration, and a support organisation (Collage Arts, former Haringey Art Council) provided support to local companies (PACEC, 2003a). However, interview evidence seems to dispute these findings. In this context, one respondent engaged in the development of the Creative Industries pointed out:

*We don't really have clusters, I mean, we have studio locations grouped together. [...] We don't have that type of cluster where you have all your supplier industries located in the same place and your network and your competition is broken down because you actually work with each other even. We are not that, nothing like that. London is the cluster for the creative industries (DOH4).*

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<sup>1</sup> Mainly craft and performing arts

Such finding is corroborated by a study by Foord and Ginsburg (2004) on the creative industries in North East London which highlights the lack of local networks.

Table 7-1: Cluster prioritisation criteria

	Spatial agglomeration	Forward and backward linkages	Collaboration	Empl. contribution	Links to residents	Empl. performance	Sector specific support orgs.
<b>Clothing</b>	Strong for CMT but weak for manufacturing	Non local	Weak	Significant	Strong	Decline	Yes
<b>Food and Drink</b>	Weak	Local	Weak	Very significant	Strong	High growth	No
<b>Creative Industries</b>	Strong	Non local	Strong	Significant		Growth	Yes
<b>ICT</b>	Weak	Forward are local, backward outside the capital	Strong	Marginal	Weak	Growth	No
<b>Printing and Publishing</b>	Weak	Local and regional	Strong	Significant	Publishing weak, Printing strong	Decline	No
<b>Jewellery</b>	Very strong	Strongly localised	Weak	Marginal	weak	Decline	No

Source: based on the examination of a variety of secondary source material (i.e. business surveys) commissioned as part of the development of the CGS in the two case study areas

The Creative Industries cluster is amongst the most dynamic clusters in London and in Haringey employs a significant number of people. Public sector funding availability was considerable as the LDA had allocated resources to develop a creative hub based at the Chocolate Factory, and the sector was also benefiting from EU objective 2 funding. Thus, the choice of including the creative industries in Haringey was based on their economic dynamism, the presence of support organisations and considerable funding availability through the LDA sponsored 'creative hub' initiative.

The ICT cluster focused on local markets but, for the most part, backward linkages were taking place with firms outside the capital. ICT did not have a business supporting institution, although interdependence between businesses was relatively strong. Spatial agglomeration in the ICT industry was relatively weak in

relation to the other clusters examined, and this did not seem to present a spatial agglomeration that would facilitate public sector intervention. As one respondent from Haringey Council commented:

*There was not really an ICT cluster as such in Haringey (HC 2)*

This forced Haringey Council to focus its intervention on a:

*Number of companies based around the technopark in the south of the borough (HC 2).*

This means in practice that the evidence to support the presence of a cluster in Haringey was very limited. As was observed in chapter two, a number of scholars (e.g. Porter, 1997; Rosenfeld, 2002) strongly criticised the idea that clusters can be created ex-novo and this argument was also supported by other respondents in this study who emphasised that the CGS was a 'naturally occurring phenomena' and therefore 'you cannot create clusters from scratch'.

In addition to this, there was some evidence from the literature that the choice of prioritising the ICT as a cluster may also have been due to the attitude of policy makers to target high tech industries in order to fulfil DTI priorities (Woodward, 2005; Tully and Berkeley, 2004). One respondent pointed out:

*Well probably if you look at almost every single CGS and Inward Investment strategy, the whole of the UK, they will put ICT as a cluster (Public H2).*

A review of the seven CGS pilots phase one, undertaken as part of this study, supports this observation as the City Fringe, South London Central and Nottingham have chosen to include ICT in their cluster.

Turning now to the City Fringe CGS, Printing and Publishing exhibited a very different dynamic and spatial distribution as well as a very different degree of public sector support (BOP, 2004). Publishing was seen as a thriving industry while printing a declining one, hence respondents concentrated their views on the latter. Printing did not show a particularly high level of spatial concentration but



was engaged in very high levels of local procurement and companies markets' concentrated particularly on serving the City of London. In addition, there was a considerable number of informal referrals between local businesses but no local support organisation. The sector also employed a significant number of people (27% of London employment in the sector) with a range of different skills (including people with no qualifications) but the re-location of a number of large companies led to steep employment decline (25% loss in employment between 1999 and 2004) and a rapid decline in business numbers. Thus, it seems that the rationale for the choice of Printing and Publishing (and mainly Printing as mentioned above) was based on its significant employment size coupled with the recent employment decline. This was also the conclusion of a CFP (2003: 37) report which commented:

'It is not yet clear whether the print and publishing industries show signs of clustering behaviour and we will undertake research to investigate this. However, print and publishing is the major employer within City Fringe creative industries'.

As mentioned extensively in previous sections, jewellery can be considered as a clear case of spatial agglomeration. Most retailers, manufacturers and support providers are located in the same area of Hatton Garden and it is clear from interviews that the reasons for such co-location are due to a range of key locational advantages: firstly, as the product is extremely valuable, businesses are pushed to locate close to each other to minimise potential robberies. Secondly, the value of the product is so high that control from the commissioner over the various processes of casting, plating etc is more effective if businesses are geographically close to each other. Thirdly, the proximity to the City was also cited as an advantage (CFP, 2003). Backward and forward linkages were mainly taking place within the cluster (MCA, 2004) as 30% of manufacturers used only suppliers within Hatton Garden.

However, collaboration and information sharing among businesses was weak. Businesses had known each other very well, but did not often collaborate on common projects. Employment experienced steep decline between 1981 and 1993 (from 4,000 to 2,700 employees) predominantly in manufacturing, although it had

recovered slightly between 1998 and 2001. Thus, while the original rationale for supporting the jewellery industry was the state of decline of the industry and the major cause for the creation of the HGJCP (BLL, 1999), the prioritisation of the cluster was based on the existence of a partnership prior to the introduction of the CGS and its tight fit with the notion of cluster.

Summarising the reasons for cluster prioritisation, it is possible to conclude that in the majority of cases, the three basic elements of cluster (i.e. spatial agglomeration, backward and forward linkages, and collaboration between companies) are not simultaneously present in any of the clusters examined. This means that these are not 'clusters' in terms of Porter's (1998) definition. However, if other literature is considered (e.g. Gordon and McCann 2000, Markusen, 1996), different models can be applied to justify the presence of a cluster here.

Other factors, such as employment size, have determined prioritisation in Clothing, 'Print and Publishing', and 'Food and Drink'. Interestingly, in the first two of these, employment has declined over time, therefore choice was based more on the 'need' to support these rather than its 'opportunities' for growth.

This somewhat reflects the contradiction within Porter's own suggestion for government support for cluster upgrading (Porter, 2000). On the one hand, Porter advocated support to emerging and established clusters with the basic principle that clusters deserving support need to '*have passed market test*' (Ibid., p.26). On the other, he argued that all clusters are important and should be upgraded and that government should eventually support all of them (Porter, 2001).

In addition, there is differentiation in Porter's work between traded (e.g. financial clusters) and local clusters (e.g. restaurants) where the former cause the development of the latter. This has generated considerable policy confusion that reflects the choice of clusters in the case study. A mix of dynamic (i.e. Food and Drink) and declining clusters was prioritised (i.e. clothing and printing). The focus on dynamic clusters was also a more general feature of the RDAs which were asked by the DTI to move up the value chain by targeting knowledge based, high technology clusters (Peck and McGuinness, 2003). The other clusters (i.e. Creative

Industries, ICT and Jewellery) were instead chosen on the basis of existing links between public sector agencies and supporting institutions as well as their coherence with public policy priorities and associated funding availability.

The importance of funding as a reason for the prioritisation of one cluster over another can also be highlighted by discussing some of those clusters, such as the retail sector in Haringey, that were mentioned in the initial parts of the Haringey CGS main document (HCGS, 2003) but then excluded from prioritisation. Evidence from the minutes as well as fieldwork interviews showed that some respondents were in favour of including retail in the CGS. Several reasons were given for this choice including the high degree of clustering, employment and growth opportunities as well as the significant contribution of ethnic minority businesses to the sector (55% of all the retail businesses in Haringey are ethnic minority owned).

As retail does not figure in the priorities of the main funding bodies, there seemed to be a strong incentive from the managing organisation to avoid including the sector in the clusters to be targeted. One public sector official commented:

*It would be no point from Haringey point of view to say look at retail [...] because although [it is a key sector] within the borough and employs a lot of people, there is no funding there to impact on [its] development (Public H1).*

This led one of the respondents to conclude more generally that:

*The sectors [clusters] that you have identified map quite closely with the economic development strategy for London as a whole [...] a lot of these things will start to trickle down and create an impact on other public sector strategies because you need to show some correlation to what the key drivers are within the funding institutions (Public H1).*

### **7.3.3 The meaning of cluster**

The concept of cluster at the more abstract level varies significantly and there is no unifying view of what a cluster really is (2.3.1). This vagueness of the concept of cluster is reflected in secondary as well as primary data collected. An initial issue is

the identification of cluster with sector. While CGS documents produced by ICIC and SBS (SBS, 2001) did not mention sectors but only clusters, the main document related to the development of Haringey CGS (HCGS, 2003) made use of the concept of cluster and sector interchangeably, thus leading the reader to the conclusion that sector and cluster had the same meaning. On the other hand, the City Fringe CGS main strategy document distinguished between sector and cluster. A sector was described as belonging at a particular stage of the supply chain (e.g. Printing), while a cluster was a:

*'More complex grouping of related business and organisations, linked together through customer, supplier or similar relationships as well as through geography' (CFP, 2003b: 28).*

There is therefore evidence of a different interpretation of the concept of cluster in the two areas in the published documents. In terms of primary data, the picture is more mixed but generally the importance of the concept of cluster was underplayed in relation to ICIC recommendations. As one respondent from SBS put it:

*We have tried not to be too besotted by the Porterian concept but rather to use the cluster concept as a tool that you do not have to apply slavishly but within which that are elements that you would do well not to ignore (SBS official).*

An LDA respondent went to the extreme of arguing that:

*Both the partnerships and the companies that come around the table will intuitively know what needs to be done. I am not so convinced you need to use some of that cluster approach to really refine it (LDA3)*

This poses some doubts about the usefulness of the concept of cluster as people on the ground have already largely decided what needs to be done and what the priorities of the industry are. This implies that the problem of developing a strategy is not primarily based on the presence of effective and comprehensive research evidence, but lies in the difficulties of the governance arrangements and the way government is structured. These particular challenges will be examined in the next chapter.

In addition, a substantial number of respondents made use of the notion of cluster and sector interchangeably and confusion emerged when interviewees were prompted about their understanding of the concept of cluster. This is not too surprising, given that as highlighted in the literature review, the academic debate around the concept of cluster is also very patchy.

One respondent interpreted a cluster as being different from a sector in the sense of:

*Stop thinking about sectors but to think more broadly and more laterally about what the needs of a particular sector were. It was not just up and down and sideways and extended much wider than producing [...] it was about distribution networks and it was a whole range of adjacent and co-operation (SBS official).*

However, most respondents did not have such a comprehensive view of what a cluster might mean. As examined in more detail below, they would rather emphasise certain characteristics such as spatial agglomeration, backward, forward as well as horizontal linkages between companies.

Spatial agglomeration: some interviewees stressed the importance of spatial agglomeration of companies. Almost all respondents identified this as an important feature of a cluster. Thus, one interviewee commented that:

*A cluster is defined as a sector of businesses which is particularly situated in one location in large numbers (DOCF 1).*

Therefore, the notion of cluster was often associated with agglomeration of businesses belonging to a particular industry in a specific area. There was an understanding of a 'critical mass' needed to make a group of businesses into a cluster and this would automatically create some advantages for the cluster itself. One of the respondents cited Banglatown restaurants as an example of a cluster where agglomeration of a critical mass of ethnic retail businesses enabled the area to attract a substantial number of customers.

Backward and forward linkages: interviewees put emphasis on a group of spatially concentrated firms in a certain industry linked by forward and backward linkages. One of the businesses respondents operating in the jewellery cluster commented

*If someone walks to my shop now and say I want by tomorrow this design, I can cut the stone here, I can then go twenty meters down the road to get mould being made and then I need to go fifty yards away to get it polished, I then go 45 yards away where I can get the stone set, I can go half a mile away to get it hallmarked and I could do it in a day if I wanted to. It is here and you have full control of what you are doing (J Bus 1).*

And again importantly, mentioning the US trip to look at the ICIC work there, another business interviewed was impressed by the way a fishing cluster in Boston was organised. As he put it

*The best of cluster linking that I saw in the Boston area was a sort of connecting fishermen to transport to restaurants to everybody that has got something to do with cooking, cleaning, preparing, selling, shipping lobster and fish (Bus H1).*

Thus, the concept of cluster in this case was helpful in order to think about the industry vertically and develop a programme that focussed on improving the supply chain rather than just as a sector that was perceived as an intervention at one stage of the supply chain. In addition, one respondent emphasised that co-operation between small companies is more likely to take place vertically along the supply chain because small firms are not willing to share their 'unique selling point' with other companies they normally compete with.

The emphasis in particular on backward and forward linkages had considerable implications for the mix of businesses making up a partnership and ultimately on the nature of projects developed. Two interviewees interpreted the cluster approach as a model to involve private sector players operating at different levels of the supply chain and by doing that developing a strategy that takes into account the whole industry rather than only a specific segment of it. As one of the respondents put it:

*You may have had the sectoral approach which is very segmented whereas if you have a cluster approach you bring in so many different players that will all impact upon what is happening to the heart of that sector. I think it encourages people to think in a different way on who they are reliant on and who they need to build a certain type of relationship (SBS official).*

Horizontal linkages: the third element that interviewees associated with the concept of cluster was horizontal co-operation which includes networking between companies at the same stage of the supply chain. Although not expressively mentioned, most interviewees from the public sector put a strong emphasis on supporting the interaction between companies at the same level of the supply chain by promoting joint marketing, and joint bidding for local procurement of public sector contracts.

For some respondents larger firms were more willing to collaborate and the development of the financial cluster in Canary Wharf was mentioned to illustrate this as an example. As one respondent put it:

*You know, Canary Wharf all the banks are based there, so if you want a financial analyst it is easier to get a financial analyst in Canary Wharf than if you are based in Haringey because a whole group of financial analysts work in the area at the moment. If you want to get some training, if you want to get some advice, you know the businesses are there (Public H2).*

Thus, for this respondent a cluster generates externalities that derive from the proximity of an available skilled pool of labour, and this could create the conditions for a faster circulation of information between companies, in turn increasing knowledge of their rivals and the overall competitiveness of the cluster.

However, even if the cluster approach may present some added value, some respondents raised three important issues. Firstly, the notion of cluster was not perceived as a new approach. As one respondent pointed out:

*Nobody has given me measurable data which as a business person, I know cluster work, I know that supply chains work, I know that interrelationship between businesses is fundamentally important to*

*them existing but that isn't rocket science as they say. [...] that is pretty old fashioned, there is nothing modern about it (J Bus 4).*

And secondly, even if there was a clearer and more coherent definition of cluster and an associated process to put the concept into practice, the problem was that for a significant number of respondents the notion of cluster based on the Porter definition and the subsequent ICIC work on the ground had not been proven by an independent research evaluation process. As one respondent summarised it:

*I haven't seen any demonstrable evidence that Porter's theory works (J Bus 4).*

Thirdly, the notion of cluster which is most closely represented in this study by the characteristics of the jewellery industry is not necessarily leading to improved economic performance. As recognised in the literature (Amin, 2002) innovation and economic growth might be hampered by the high level of insularity of a particular cluster. This is, to some extent, the case for the jewellery cluster where the move towards a higher value added, more innovative design-led jewellery industry is hampered by some unique characteristics of the industry. In line with the analysis of the Birmingham jewellery quarter (Pollard, 2004), the industry in Hatton Garden is characterised by secrecy and a long tradition of family run businesses which can create important competitive advantages, particularly in relation to the development of specific craft based skills that can be maintained over time. However, the secrecy also contributes negatively in terms of collaboration between companies. In recognition of this, some initiatives proposed were designed to encourage the sharing of information between companies in respect of absolute confidentiality.

At the same time, however, trade between companies in Hatton Garden is considerable and primarily based on strong ties between companies that have known each other for a long time and are mainly of Jewish descent. The significant value of the product being traded influences the nature of the industry where trust and reputation between participants is crucial. In turn, trust and reputation also contribute to lower transaction costs which provide an important element of competitiveness for the local industry. However, trust, strong ties and a long



tradition of family-run businesses lead the industry to stifle innovation. As networks are based on stable relationships and the presence of traditional family businesses, decisions tend to be made by older business owners who are rooted in more traditional opinions about the future of the industry. As one respondent put it:

*An industry like my own is very ancient, very old industry. It is often family businesses that have been around generations upon generations, [...] but that makes for very conservative, very conservative businesses (Jew Bus 4).*

More established businesses were seen by businesses interviewed as afraid of change and not easy to collaborate with. One respondent, for instance, pointed out:

*Rather than always beating ourselves up, trying desperately to drag that old boy that says well the industry is not what it was thirty years ago, my cup is definitely half empty, and the new guy saying well my cup is half full, if I could just do this, this and that I could make a world of difference, well I know who I would rather work with (Jew Bus 4).*

Finally, another element that prevented change was found in the tendency of industries relying on strong ties, traditional family businesses and secrecy to 'exclude' others from entering the industry. As one business observed:

*The jewellery cluster has developed over long long period of time and therefore has very very high walls which surrounds itself with which is about secrecy and trust (Jew Bus 4).*

*Training and workforce development:* proposals for both clusters focussed on building a network for employers and training organisations to ensure an ongoing dialogue between these. Efforts took the form of bespoke industry led training targeting established companies and aimed at workforce development (e.g. CAD training) and access to higher level skills.

In terms of training opportunities for those individuals wishing to enter the two industries, pre-employment training was a more prominent feature in the PPSIP than in the JSIP. In the former, training initiatives targeted local people, including disadvantaged groups such as women, ethnic minorities and people with

disabilities. On the other hand, in the jewellery industry, one CFP official felt that it would be very difficult to link business growth with job opportunities for local residents. Any attempt to change this, it would take at least a generation. Therefore, initiatives favoured long-term solutions including taster courses to adults in the area to start forming links that would encourage local people to enter the jewellery sector.

#### **7.4 Scale: tension between cluster and concentrated deprivation**

As noted in chapter six, London is characterised by geographically concentrated pockets of deprivation scattered around various areas of London. On the other hand, most clusters in the two case study areas embrace at least a sub-regional dimension.

Thus, there is a tension between the spatial concentration of deprivation and the wide geographical scale of most clusters. The analysis of primary source evidence suggest that the LDA did not choose CGS areas on the basis of an accurate analysis of the opportunities of clusters in London, but preferred to focus on their priority areas. Only in a second stage did they identify clusters in those areas that could be supported. Thus, for instance one respondent from one of the CGS areas observed

*What the LDA did was they try to marry up the priority areas they have identified with the CG areas. So I would say that even though they have done some analysis, they have not done the analysis on the basis of the CG concept (CFP 2).*

Since the main objective of the CGS is to create the conditions for long term sustainable development of deprived urban areas, the focus on priority areas and as a result, deprivation is not wrong in principle. However, the non-local nature of the concept of cluster creates substantial problems of practical application of the CGS. A number of respondents criticised the concept arguing that clusters are not local in nature and businesses do not perceive it as if they are trading in 'Haringey' or in the 'City Fringe', thus the concept of cluster is not bound to any particular geographical level. One private sector respondent in the Print and Publishing Cluster Action Group (PPCAG) observed that:

*It is a very false paradigm to just say, we want to take this one small area of London because there is some money there and we need to do something with it. So all of the advertising agencies are in the West End. They are.. and most of the publishers are in the West End. So these are the people that when I looked in my address book, and I phoned them up, they are outside of this tight post code. There are no immediate competitors or colleagues immediately in this area. so I was not able to bring people to meetings because they really did not qualify because they were in Soho.. (PP Bus 1).*

As noted in previous sections when discussing the cluster notion in the CGS (see 7.3.3), the one exception to this is the jewellery cluster which demonstrates substantial spatial agglomeration (MCA, 2004). All the other clusters have a tendency to operate at least at a sub-regional/regional level with backward and forward linkages stretching across London and even further (PACEC, 2003a; BOP, 2004). This particular issue is evident when considering ICIC's contribution to the CGS. As a respondent from the SBS pointed out:

*We were quite amused by somebody from ICIC that came to talk about clusters. He started saying that the radius of the cluster maybe 200 miles. A radius of 200 miles from many places in the UK, you can get to Europe. So how wide is wide" (SBS off).*

This highlights the problem of the disjuncture between the local nature of deprivation and the more sub-regional, regional or even national scale of most clusters. A DTI (2001) report on business clusters offers examples of UK clusters that can range from few miles radius to an entire region, national or even international. Jewellery is a case of a localised cluster, but evidence from this study has led to the conclusion that all the other clusters and particularly Printing and Publishing operate at least on a sub-regional level. In this context, an effective decision of targeting a cluster should be considered on a case by case basis, and/or on a wider geographical scale.

But this poses the problem of where to start with the CGS. Should this be from the pockets of deprivation that are prioritised by the LDA or from an assessment of the spatial level at which a cluster operate? Given the vagueness and empirical difficulties in assessing the concept of cluster highlighted in the literature review,

assessing the size of a cluster is a particularly difficult task. And even if the size of a cluster can be assessed, it is difficult to secure that cluster support interventions will benefit deprived areas. The implications of this will be further explored in the conclusions.

### **7.5 Local job creation: issues and opportunities**

The creation of job opportunities for local residents is situated second in the mission and objectives of the Haringey CGS, after the pursuit of economic growth (PACEC, 2003). Similarly, the LDA defines the CGS as a business led approach to creating jobs and enterprise in deprived inner city areas by untapping and exploiting the existing and latent economic advantages and potential of inner city areas to attract new companies and investment, as well as supporting the growth and retention of existing businesses (LDA, 2004). The SBS definition of the CGS is very similar but emphasises economic rather than social aspects of the strategy. Thus, the CGS is led by the private sector and operates market based strategies to create growth and prosperity. Secondly, it is an economic strategy rather than a social policy that creates jobs and wealth for the longer term in urban areas (SBS, 2005).

Despite the strong emphasis of these CGS documents on the creation of local job opportunities, at least three main issues have been identified. Firstly, the types of clusters selected have a clear influence on the local creation of job opportunities as deprived areas have people with lower skill levels, and clusters providing entry level jobs are better placed to match the local skill base. Interviews and the analysis in previous sections of this chapter confirmed that Food and Drink and the Clothing cluster in the Haringey CGS area offer this opportunity. Respondents observed that these sectors create substantial job opportunities, particularly for ethnic minority women in the clothing sector and people with language difficulties and in need of a stepping stone to enter employment in the Food and Drink cluster.

On the other hand, the nature of clusters such as Printing and Publishing and jewellery in the City Fringe CGS area cannot provide jobs that match the skill levels and characteristics of disadvantaged people within these areas. Interviewees

mentioned that publishing needs to employ people with a qualification at least at degree level or above:

*There is plenty of work, there are hundreds of people that apply, but I don't suppose we are going to find them in the CF [...] because of the lack of education (PP Bus 1).*

And to a lesser extent the Printing cluster in the City Fringe suffers from the same type of problem because of the need for individuals to have a clear grasp of the English language in order to avoid spelling mistakes before printing is carried out. In the jewellery cluster, it was recognised by the economic analysis of the jewellery sector in Hatton Garden (MCA, 2004) that a considerable proportion of employees come from outside the borough and even outside London. In fact only 7% of companies in the area employed staff living locally and the vast majority of companies employed staff coming from elsewhere in London (73%) and outside London (68%) (Ibid.). This is reflected in the responses from interviews that found a general lack of awareness of local residents about potential job opportunities in the industry. A study from O'Sullivan (2002) on the Media cluster in the City Fringe found that local employment was negligible since such companies tend to request a highly qualified labour force. Thus, there appears to be a skills mismatch between the job opportunities available and the skills of local residents. And in this case, it is clear that the CGS is not well positioned to take into consideration the needs of local residents.

Secondly, there is confusion in terms of the extent to which companies recruit locally demonstrating a lack of connection between business owners and local residents, and the openness of London's labour market. On the one hand, the PACEC (2002) report found that Haringey had substantial in and out migration of labour. Two thirds of those in employment travel predominantly to central London and some half of the jobs are taken by inward commuters. On the other, EDAW's (2005) baseline study of Haringey CGS area found that almost half of firms in the survey recruited their entire workforce from Haringey. Respondents in the Haringey CGS and in the PPCAG also pointed out that businesses would like to recruit locally but they do not know how to.

Some respondents felt that the problem was partly driven by small companies' tendency to adopt a 'word of mouth' approach to recruitment. In addition, they found local job centres largely inefficient and burdensome as they tended to send any type of potential candidate for interview without effective selection. This latter issue highlights two general problems. Firstly, as job centres are assessed on the basis of the number of unemployed that find a job, they are likely to put forward any candidate to meet their targets. Secondly, unemployed people need to undertake a certain number of interviews each year to be eligible for benefits, but that does not necessarily mean that they are interested in the jobs available. This emphasises some of the demand side issues in terms of maximising local recruitment opportunities and shows a partial shift in focus from seeing the individual job seeker as the problem towards an approach focussing on some of the demand side issues.

Demand-led training was the response of regional and national public sector officials as well as businesses interviewed. The private sector should make clear its training needs, and the public sector should organise local training accordingly. Their focus, however, was towards the involvement of large companies in this process, while at the more local level (i.e. Haringey council and the City Fringe Partnership) more attention was paid on the recruitment needs associated to small companies.

In practice the experience of the Haringey CGS has shown that these initiatives involve small rather than large companies. One of the clearest examples was the cabling training initiative, described in the previous chapter. This particular initiative was judged as a successful example by a number of respondents in terms of developing a demand-led training initiative that responded directly to a need of local businesses. However, the initiative was small in scale as it employed at most 12 people. As a result, public sector support for these small scale training schemes was not seen as cost effective as it only addressed the skills needs of a limited number of small businesses in the area.

However, this model has a clear advantage of directly confronting skills issues in the area and maximising the potential benefits for local residents as training

directly leads into employment. Although small scale, such initiatives make more effective use of public funding. The take up of demand-led training was not only confined to the case study areas, but other City Growth Strategies outside London pushed the idea forward through the involvement of business in a similar way to the CFP, taking advantage of the expertise in their industry to identify appropriate training needs (PWC, 2006).

A crucial component in linking up job opportunities with local disadvantaged residents is the role of training providers. These need to be able to understand skill gaps in the industry and have strong links with businesses in the industry. A successful but, perhaps, unique example of such a training provider is the Jewellery school in Hatton Garden which was established by a local jewellery retailer and provides training that directly relates to the needs of the industry. Crucially, the promoter of the jewellery school also operates as a retailer in the area and has strong links with the local industry. This enables the school to identify the skills gap relevant to the industry and develop appropriate training courses. Moreover, a proportion of trainees in the school are local women from a Bangladeshi background which shows some attempts to link up training with potential job opportunities for ethnic minority groups in the area.

However, a respondent from the study argued that training is only the first step because neither employment nor self-employment automatically follow. As he commented

*If you say to somebody, we are going to set up a programme, it is going to train Bangladeshi women to be jewellers, that is great so you give them some training, but what do they do at the end of it? They don't have none of the key skills that they need to develop into businesses, they have not got any contacts to go out there. They actually go into an industry that has its own community that is dominated by men, there are no women in it. So you have got something that superficially looks incredibly proactive and social and gave these people this window of opportunity, and then you draw lines" (J Bus 4).*

Thus, although training was provided, employment does not automatically follow and needs to be complemented by an active search for suitable employers. Thanks

to its links with the industry, Holts training school would perhaps be best positioned to create a link between local demand and supply of labour but, at present, it does not 'formally' play this role. A further issue raised by the quote above is the nature of the jewellery industry which is based on a very closely knit community of traditional family owned businesses. This raises a further issue in relation to the feasibility of linking jewellery businesses with the local labour market characterised by a culturally and ethnically diverse population.

The emphasis on business led training has been taken on by a number of programmes in the UK. A central conclusion of Gore's (2005) evaluation of such programmes is that with some limitations demand led approaches are important in improving employability. There are, however, a number of limitations to these approaches. Firstly, demand-led training will prioritise those that are closer to the labour market, in other words, those who have more skills, qualifications and the 'best' attitudes. As mentioned in chapter two, however, the real challenge is to generate jobs for those that are further away from the labour market, and in this sense, the CGS is not well placed to help. In fact, even Porter (1995) focuses on those that are more readily employable rather than those that have greatest social or skills issues, for whom an alternative might be in the widening of the spatial reach of the labour market. In this context, Gore (2005) highlights the limitations of the spatial model from which demand led approaches derive and suggests that there is an argument for labour market interventions that increase or assist with geographical mobility.

Fieldwork evidence from this study confirms this particular view, particularly in the case of Haringey. One respondent felt that the solution to employment creation is to be found in linking up deprived areas with the sub-regional labour market and offers a variety of reasons to support this argument. As he put it:

*The amount of jobs that need to be created to employ people that are unemployed or long term unemployed just won't happen in Haringey. So you have to look at where these opportunities are in the surrounding boroughs. [...] Even if you can get the skill gaps shortened between what jobs are available and the qualifications of the local residents, they probably take up not even half of all unemployed people" (Public H1).*



As a result, extending the access of local residents to a wider labour market becomes an option, but it is not reflected in either the CGS or in Porter's (1995) emphasis on local linkages between companies and residents. Potts (2002) and others (e.g. Hill and Nowak, 2002) argue that it is important to go beyond the focus on social ties as a tool to promote greater access for disadvantaged local residents to the local labour market towards a policy that also takes into account the job opportunities outside the locality.

There are a number of tools that can be put in place to widen disadvantaged people's access to labour market including travel-to-work measures such as subsidised transport. Other measures include public sector intervention projects (e.g. housing) to help local residents to relocate to outer areas of London where a greater number of job opportunities are available. However, this appears problematic as such interventions could endanger the balance of neighbourhoods and become increasingly difficult to adopt if elements such as family ties, child care, and children in school are considered. In such cases, individuals are less likely to move due to social ties in the area and would therefore find it difficult to relocate. A third possibility that might deserve further attention in the UK includes the emphasis on recruitment agencies led by public or private sector efforts. Potts (2002) discusses some successful examples of these from the US.

## **7.6 Conclusions**

The chapter discussed some of the key tensions evident within the CGS in the two case study areas. The analysis exhibited significant differences between the two case study areas in terms of the interpretation of the CGS. Haringey interpreted the CGS as 'just another initiative' and focussed its attention on the priorities of funding bodies, and was not clear about the conceptual underpinning of the CGS. It combined endogenous with exogenous growth, and favoured tackling cross cutting issues to improve the local business environment. On the other hand, the City Fringe was more clearly focussed on taking on board business needs rather than meeting funding priorities, and was more clearly focussed on endogenous growth reflected in the choice of a cluster specific approach.

However, differences are not entirely due to the local inability to interpret the CGS, but also demonstrate the ambiguities of Porter's approach, and reflect wider ongoing weaknesses of the UK policy making environment. These include Porter's focus on both endogenous and exogenous elements of growth represented by the case of clusters and 'underserved markets', which have a different conceptual underpinning, as well as Porter's practical policy outcome, which include both measures to improve the business environment and to support clusters.

Other issues reflect wider problems in the UK policy environment including the tension between meeting funding body priorities on the one hand, and the needs of businesses, on the other. Both areas experienced this particular problem, but the City Fringe was better able to manage this tension. Moreover, another key problem related to the UK policy environment is the notion of sustainability which clashes with short-term priorities of the public sector at the regional level, and short-term self-interest of businesses, particularly small firms. Short-term partnerships have limited benefits and a more long-term view is needed if the benefits from partnership arrangements are to be gained in tackling the economic problems of deprived areas. The common policy cycle of understanding the problem, setting up a partnership, designing a strategy, implementation and evaluation are in conflict with the notion of partnership which needs a longer period of time to build trust between the public and private sectors.

The chapter also discussed another more conceptual range of problems related to the translation of the notion of cluster into practice. Beyond the empirical difficulties of identifying a cluster discussed extensively in the literature and confirmed here, cluster prioritisation was found to practically frustrate an evidence based approach to cluster identification. Thus, the prioritisation of the majority of clusters was based on a range of criteria including support for declining industries, the existence of a support infrastructure, and the availability of government funding. This shows that when the idea of competitiveness is put into practice, it often clashes with other priorities at the local level dictated by other agendas expressed by other public sector funding and/or more local objectives of the public sector at the local level.

In addition to this, interviewees showed different interpretations of cluster emphasising different aspects of the notion including agglomeration, backward and forward and horizontal linkages. These come together in the concept of cluster advanced by Porter (2000), but the policy implications can be rather different. As explored in chapter two, agglomeration economies have practical implications (e.g. the improvement of the general business environment, connectivity, transport etc) that are different from the emphasis on backward and forward linkages which implies, more directly, the building of networks between companies. The problem of linking competitiveness generated via the support for cluster development, with economic inclusion is manifest in the different spatial scale of the notion of cluster (regional) and deprivation (ward, neighbourhood). These different spatial scales determine major difficulties in generating economic growth where it is most needed.

Even if economic growth were to take place in deprived areas, the 'trickle down' to benefit local residents, is not secured. Some clusters targeted by the CGS, in Haringey rather than the City Fringe, were more appropriate in terms of creating job opportunities for local residents. Respondents and initiatives developed emphasised the need for demand-led training but this was unable to create enough job opportunities for two reasons. Firstly, demand-led training does not tackle the problems of the most deprived within the labour market who need more substantial help to find work. Secondly, some areas, particularly in Haringey, cannot create enough jobs to employ all the unemployed residents. In this case, the widening of individuals' employment fields to stretch to other areas in suburban London might be a potential policy avenue to pursue.

The next chapter turns to examine two key aspects of the governance of the CGS: the relationship between the private and public sector, and the relationship between public agencies operating at local level and between different levels of government.

## **8 GOVERNMENT AND GOVERNANCE IN THE CGS**

### **8.1 Introduction**

The previous chapter discussed how the concept of competitiveness for inner city areas advanced by Porter (1995), and its policy manifestation, the CGS, has been translated into practice in the two case study areas. This chapter takes as a starting point the argument that a pre-condition for the successful implementation of area-based policies is the correct functioning of the partnership between different actors with a stake in the development of the locality. As noted in the literature review (ch.3), partnerships are a manifestation of the tendency towards a system of governance where different stakeholders are engaged in a bargaining process and thus contribute with their views and involvement to the design and implementation of economic development policies.

In this context, chapter five described how such a bargaining process developed, with a particular emphasis on the private sector as a key element of the strategy. In addition, it focussed on describing the extent of co-ordination between and across levels of government. This description concluded that overall the City Fringe has been more capable than Haringey in involving the private sector and creating the conditions for co-operation with local public sector agencies and the LDA.

This chapter aims to take forward these findings by attempting to explain what factors have been decisive in leading to the differences between the two case study areas in terms of both private sector involvement and engagement and vertical and horizontal co-ordination between public sector agencies. This enables analysis of wider issues of governance and private sector involvement in UK policy making.

### **8.2 Private sector recruitment and effective engagement**

The effectiveness of partnerships in the CGS is strictly related to its ability to involve and engage the private sector in the policy-making process. This part of the chapter examines the key factors influencing the relationship between private and public sector in the partnership process. This is done by firstly discussing the factors that lead to different patterns of private sector involvement. Secondly, the differences between public and private sector more generally are considered with

regards to their organisational structure and cultural environment. Finally, the likelihood of business engagement (i.e. its ability to shape the design and implementation of the CGS) is considered. The reason for this particular analysis emerges from the need to assess the extent of private sector engagement not just through involvement in the CGS (i.e. private sector taking the lead), and the need to address one of the criticisms raised by some scholars (Harding et al, 2000; Morfe, 1999) in relation to the lack of evidence of private sector engagement.

### **8.2.1 Factors explaining the patterns of business involvement in the two areas**

#### **8.2.1.1 The influence of institutional structures on the involvement of the private sector**

In Haringey, most private sector participants to the study valued positively the initial CGS launch event that took place in 2001 when Chancellor Gordon Brown and Michael Porter introduced the CGS. This interest focussed particularly on two key characteristics of the CGS: the central role played by businesses in the design and implementation of the strategy and an emphasis upon building on the strengths rather than weaknesses of inner city areas. However, when they were faced with the more practical side of the approach and particularly dealing with public sector agencies, they quickly became less enthusiastic. In particular, businesses emphasised the historical failure of Haringey council to connect effectively with the private sector. A number of private sector and delivery organisations pointed out that it is a question of 'image' of the council not being 'business friendly'. As a respondent from a delivery organisation summarised:

*They have done what Haringey always does, it mouths attitudes about the private sector, and working with the private sector but it is incapable of doing it. Because it has a very poor historical record, I mean, it has a very poor historical record of working with businesses [...] it goes back 20 years. It has been a process that has been going on for years, years and years. Long-term historical issue. (DOH4).*

Some interviewees associated this historical weakness to the greater attention paid by local authorities to the needs of its residents to whom they are directly

accountable. For instance, one commentator observed that Haringey Council had been involved in an ongoing dialogue with Tottenham Hotspur football club in relation to increasing the capacity of the White Hart Lane stadium, but no agreement has yet taken place. During such negotiations

*Haringey Council has been moaning that there is too much litter on a Saturday because the fans are dropping litter. And they almost see Tottenham Hotspur not as an opportunity but something that creates a lot of litter (ConH).*

This shows that the council has not been willing to offset the views of residents with the benefits that an increased ground capacity would bring to the area in terms of new job opportunities and greater sales accruing to local businesses. Local authorities have a particular structure and mandate which constrains, in some cases, the pursuit of an economic development strategy, since all local authorities have to take into account their local electorate. In addition, there is some evidence from the wider literature that this might be particularly the case in relation to Haringey and, to some extent, to Labour controlled local authorities more generally. North and Baldock (2000) pointed out that in the 1990s Labour controlled Haringey adopted a more positive attitude towards businesses because it was forced into it by limited central government spending to promote initiatives in this direction. This reinforces the point that the Labour local authority in Haringey has not been 'naturally' predisposed towards business involvement but has accommodated it largely as a funding opportunity to be exploited. More generally, during the 1990s, private sector involvement in regeneration was a prerequisite for accessing funding under the City Challenge, the Single Regeneration Budget and a range of European Union programmes (Bassett, 1996; Syrett, 1997). Thus, local authorities were drawn towards the involvement of the private sector, although sometimes without a real commitment in terms of balancing the needs of businesses with the needs of local residents.

In contrast, the experience of the City Fringe CGS in the two clusters examined has been more positive. In terms of the jewellery sector, the involvement of the private sector was facilitated by an established interaction between private sector companies in the area. Collaboration stemmed from the need to make the area

safer and minimise robberies, as well as promote the Hatton Garden area. On this fertile terrain, the preoccupation of both the local authority and the private sector with the economic decline of the jewellery industry was an important trigger for the development of the jewellery partnership. Economic decline as an event triggering public and private sector collaboration has also been recognised more widely by the literature (Davies, 2004; Ward, 2000). In relation to the Printing and Publishing partnership, involvement of the private sector has also been successful, but it does not exhibit the same characteristics of previous private sector collaboration or the spontaneity that characterises the jewellery sector. In this case, the key determining factor bringing together public and private sector was the concern about the decline of the competitiveness of the industry in face of increasingly globalised markets.

In both clusters, factors specific to their development were also complemented by the CFP's pursuit of an economic development strategy more in tune with the needs of businesses. One official from the CFP observed that an economic development strategy based on a greater attention to business needs had already been developed prior to the introduction of the CGS. In part, this is due to the structure of the CFP which spans over four boroughs, features some private sector individuals on its board, and is not, as a result, directly accountable to local voters. This provides the organisation with greater freedom in pursuing an economic development strategy more in tune with business needs. Moreover, both the jewellery sector partnership and the CFP as a whole benefited from a history of partnership built over a number of years via the management of a variety of programmes (e.g. SRB, ERDF etc). This provided greater clarity on the roles and missions and enabled the CFP to build over time a practical ability to involve the private sector. This particular argument is not only confined to the experience of the CFP, but has been recognised as an important factor in the development of successful partnership working more widely (North et al, 2007).

However, some doubts about effective private sector involvement in the CFP still remain. Other clusters targeted by the City Fringe CGS (e.g. ICT, and Health) have experienced limited success in private sector involvement. This shows that the organisational structure of the CFP is not the only variable to consider, but other

factors specific to a sector need to be considered, particularly in terms of its development over time and how this conditions future paths of development.

Thus, although the structure and objectives of different organisations (i.e. partnership in the City Fringe and local authority in Haringey) have an important influence on the likelihood of business involvement, there are more specific factors related to the historical development of a particular sector and the actors involved in it that need to be taken into account. The influence of historical patterns of mobilisation and the importance of sectoral differences in explaining business involvement has also been recognised elsewhere (Raco, 2003).

#### 8.2.1.2 The influence of business agendas on involvement

The extent of business involvement and its influence on the development of the partnership process are also driven by the nature of business agendas. These can contribute to a greater understanding of the circumstances under which businesses are more likely to become involved in partnership arrangements. Empirical analysis identified three broad types of business agendas (table. 8.1) in order to facilitate the discussion of the differences between case study areas. However, as discussed in more detail at the end of this section, some business agendas might not sit neatly into anyone of these three types but show considerable overlap and changing features over time.

**Table 8-1: Typology of business interests**

Type	Typology of business interests	Characteristics
1	Narrow business interests	Short term profit maximisation, increased value of assets, up-skill workforce, procurement
2	Generic business interests	Medium term/generalised reciprocity/political influence
3	Wider public good/interest in the locality	Long term/concern about social problems/attachment to place/CSR

Source: author



*Type 1:* in both case study areas, the pursuit of a 'narrow business' agenda was seen as important by businesses and public sector alike in order to secure involvement. The best way to involve businesses was seen by public sector respondents as meeting the short-term needs of businesses through workforce training, local public sector procurement contracts, and more generally the implementation of projects that would produce a range of short-term benefits for the companies concerned. The pursuit of a 'narrow business' agenda was a key feature of the CGS in Haringey where a variety of businesses exhibited a strong interest in skills training and local procurement initiatives. And even in the City Fringe's Printing and Publishing cluster, some businesses joined the partnership to pursue a narrow agenda characterised by an attempt to secure public sector procurement contracts. This demonstrates some degree of rent-seeking as companies attempt to create a stable profit margin for their activities.

In other cases, narrow interest can be considered in light of academic and empirical work on the notion of 'growth machines' undertaken initially in the US (Elkin, 1987; Molotch, 1976) and then developed in the UK (Bassett, 1999; Ward, 2004). This notion argues that business interest and involvement is strongly driven by the increased value of land and buildings that might result by the implementation of regeneration initiatives. Thus, the main rationale for private sector involvement contains a strong element of narrow interest. The empirical evidence collected as part of this study does not confirm the existence of business coalitions that pursue strategies with the main or sole objective of raising local land values. In the jewellery partnership in the City Fringe CGS, there were issues related to raising the value of land through the creation of a building (i.e. jewellery visitor centre) but the reasons for business participation seem to point to other factors being more important. In fact, the concern of businesses in the jewellery sector belong more to the third group displayed in table 8.1, as it displays considerable concerns with the future of the industry and the improvement of the locality.

*Type 2:* a group of businesses in the City Fringe and to a lesser extent in Haringey showed a set of more 'generic business interests' aimed to secure a benefit in the medium term. Some businesses in Haringey were interested in the CGS because

they saw it as a networking opportunity that would improve 'referrals' between companies. The environment provided by the partnership was seen as attracting people of 'good will' that were more open to the development of new business opportunities. In other cases, influencing policy was a major element that led other businesses in Haringey to become involved in the partnership. The interest of some businesses for the issues faced by their own ethnic minority group was a clear rationale for their involvement in the partnership as they wished to influence the design and the implementation of the economic development strategy. Political influence in terms of steering the allocation of resources and priorities for the areas in terms of training was also one of the main reasons for the involvement of other businesses in the jewellery sector in Hatton Garden.

*Type 3:* a third group included those businesses that have shown a range of 'wider interests' in the locality/industry or in the development of initiatives that could tackle social problems such as unemployment (table 8.1). There were examples of this in both case study areas, although the businesses in the jewellery sector in the City Fringe demonstrated, overall, a greater interest towards the locality and the industry. As one business from the jewellery sector observed:

*I have been 25 years with [business 1], 23 years in the jewellery industry and I have a lot of friends and colleagues in the jewellery industry and I want to make sure that they continue to have a living and the industry they work in thrives (J Bus 3).*

More generally businesses in the jewellery partnership sector were also actively engaged in promoting the cluster to other businesses in the locality. As one public sector respondent observed:

*All the work of getting these people interested is something that is happening informally so [individual 1] at [company 1] actively goes out of his way to have discussions with everybody about the JSIP in HG and about what is happening in the Jewellery industry. [...] People like [business 1] and [business 2] go out of their way to drum it up (Camden C).*

The attitude of businesses in Hatton Garden reflects a particular attachment to a place/industry. As discussed in the previous chapter, Hatton Garden is unique as it

is characterised by an extremely spatially concentrated number of businesses at different levels of the supply chain. In this context, the notion of place and industry almost coincide facilitating a process of identification. This is complemented by a tradition of family run businesses coming predominantly from the Jewish community, thus sharing a particular set of norms and values. The combination of these with a long and stable jewellery making tradition enhances some types of collaboration between businesses in the area and the wider institutional infrastructure.

The importance that businesses place on a specific location as part of their individual and community history can also be found in the US where private sector involvement is facilitated by the attachment of businesses to their local area. As one public sector official who visited the CGS in the US observed:

*It is tangible almost when you are there, and it translates itself down to something very powerful pride in the place and passion for your own area. Your own downtown, your own bit of city. And it is a struggle to find that in many of the places we are traditionally involved in here (SBS official).*

This reveals that there is a particular relationship between businesses and their local area which might, in part, stem more generally from the strong value that citizens in the United states place on a particular area with their own country.

Thus, businesses in Hatton Garden and the US demonstrate certain elements in common in terms of the identification of businesses within a particular locality. In this context, private sector involvement is partly explained by extra-economic factors that are more socio-cultural in nature. Crucially, however, this has only been found in the specific and rather limited example of Hatton Garden, while it has been recognised as a more widespread characteristic of the US urban environment particularly in relation to urban regime theory (Wood, 2004). Moreover, this should not be confused with Cox's (1989) notion of 'local dependence' which is explained in terms of immobile investment and the spatial fixity of social relations. The reasons for business involvement in Hatton Garden and in some areas of the US are based more on a 'sense of attachment' to a

particular place which might be considered as an extension of Cox's (1989) argument.

If the discussion of table 8.1 provides a way to understand different types of business interest, some other but more limited evidence shows that agendas might shift over time from the first to the second or third group. Moreover, in some cases, business interests are characterised by the simultaneous presence of self-interest and a wider concern for the locality or the industry. As one of the CFP officials pointed out:

*Self-interest and social consciousness should not necessarily be separated. What CG allow is for businesses to take part on something that suggests it is going to affect an industry and not just myself but recognises that will also deliver benefits to them individually (CFP 3).*

These two sets of evidence add complexity to the analysis of business agendas and show some of the limitations of creating categories of business interest. Thus, the analysis of business agendas shows considerable variation between business individuals in the two case study areas. This is in line with the various points made in the literature in relation to the fragmentation of business agendas, and applies particularly to Haringey. The situation is broadly similar in the City Fringe CGS, with the exception of the jewellery sector which shows more coherence and is based more on 'wider concerns' for the industry and the locality.

### **8.2.2 Differences between public and private sector ethos**

The partnership process is also significantly influenced by the different incentives that drive private and public sector bodies. Such incentives have a major influence on the extent of private sector involvement and have a significant influence on the organisational culture of the two sectors. These differences portray a divergent nature between private and public sector in the two case study areas in terms of businesses' concerns about the speed of development of strategies; the use of different 'languages', and the aversion to risk of the public sector which reflects the different organisational culture of the two sectors (table 8.2). These issues are examined in more detail below.

**Table 8-2: Cultural and organisational differences between public and private sector**

	<b>Public sector</b>	<b>Private sector</b>
Organisational structure	Private sector does not understand the complexities of public sector	Public sector does not understand the issues of running a business
	Political deal making	'Getting things done'/end justifies means
Cultural environment	Public good and socio-economic growth/concerned with public at large	Profit maximisation/economic drivers/concerned primarily with individual business growth
	Averse to risk	Risk taker
	Use of language is over elaborate and vague	Use of language is more pragmatic

Source: adapted and expanded from Painter (1997)

### **8.2.2.1 Organisational structure**

The organisational structure of the public sector has a major impact on the extent of involvement of the private sector. Public sector respondents pointed to the full range of complexities of the central, regional and local government machine. These include hierarchical relationships between different levels of government, the need to meet regional government's priorities and the difficulties in bidding and obtaining funding. As one respondent from Haringey council commented:

*Businesses may not know how a strategy works, it is new to them and a lot of them are kind of.. they don't want to get in there and start to lead things because they are not exactly sure, they do not have the experience (HC 2).*

This shows that businesses in Haringey often had a limited understanding of the ways public sector functions. The need for 'educating' businesses was also identified by a delivery organisation:

*They have been chunked in there, and assume that they will get on with it. Well, that is so idiotic and short sighted, even I and my board of trustees have to run trustees inductions (DOH1).*

This suggests that the involvement and engagement of the private sector could be improved by providing some training on the way policy making works. However, given the complexity of the task, and the impatience of the private sector for practical results (discussed below), the extent of involvement of the private sector

is likely to be severely limited. A clear process of decision making and the rationalisation of public sector service delivery (HM Treasury, 2007a) could secure some progress in this sense.

A consequence of the complex and fragmented structure of the local state is the slow pace of development in the policy making process which has practical implications in terms of the level of private sector involvement, but also some more conceptual consequences in relation to the creation of an effective collaboration between public and private sector. Both public and private sector respondents identified the issue of the slow pace of development of the strategy as an important element somehow limiting the extent of private sector involvement. As a public sector official from Haringey council commented:

*I think my reservations are about the speed at which things can get done. I think that the private sector may expect to do things a lot more quickly. Some of the things that are in the agenda for change take a lot longer than they expect and so they may get frustrated by the speed at which things happen (HC 2).*

This view was supported by almost all private sector members. As one business summarised:

*There have been conferences to death, for many years, and they [businesses] cannot afford to come to a 3 hours seminar only to come and have biscuits and drinks and they the go and nothing has happened, nothing has changed (Bus H3).*

Evidence was not confined just to the case study areas. Conference speeches from business champions from Western Arc and Liverpool CG phase 2 confirmed their feeling about this particular problem; a business champion from Western Arc observed that they had developed '32 words for slow' (CG, 2006). The unwillingness of the private sector to be involved in lengthy processes leading to no major practical outcomes in the short-term has been highlighted by a recent sub-national review of economic development and regeneration particularly in relation to local strategic partnerships (HM Treasury, 2007a). Thus, businesses' 'impatience' can act as a constraint on their level of involvement on partnerships.

At the more conceptual level, this is an important problem in the context of urban regime theory which features, as a key element of effective and durable regimes, the need for long-term collaboration between public and private sector (Davies, 2002; Wood, 2004; Harding, 1999). If the involvement of the private sector is conditional upon the speed of delivery of projects on the ground, one of the key elements of urban regime theory cannot be met.

Further to this, greater impatience for practical results was shown by small companies that mentioned the limited time to dedicate to lengthy processes. As deprived urban areas are often characterised by a large number of small size businesses, the scope for the construction of sustainable and long-term relationships between public and private sector envisaged by regime theory becomes even more limited.

#### **8.2.2.2 Cultural environment**

A further barrier to the effective relationship between public and private sector is represented by the different incentives driving public and private sector. Private sector perceived public sector as being 'risk averse'. In particular the view held by some respondents was that public officials do not benefit in any meaningful way from taking risks in supporting the development of particular projects. This was seen as a major difference in relation to the way the private sector works. As one respondent put it:

*Basically council officers are not paid to show initiative. They do not get rewarded for it. They actually expose their position to risk. They have no interest in initiating projects that involve risk (Bus H5).*

Respondents also mentioned that difficulties in engaging the private sector are rooted in the different incentives that drive public and private sector:

*What we are trying to do is hugely challenging [...] because the socio-economic drivers of organisations like the LDA are so different to businesses (J Bus 4).*

One of the reasons why socio-economic drivers and more generally incentives are different is because

*The problem with the public sector is that it never looks for any yield. It only looks for an intervention and then it goes, oh Christ, where are we going to get some money to do something else? (J Bus 4).*

More generally, barriers to the involvement of the private sector on the CGS also stem from the historical development of British government. Traditionally, the public sector has been characterised by a large direct involvement in policy making and implementation paid for, amongst the other forms of taxation, by rates from businesses. This has caused an expectation from the private sector that any policy concerning regeneration was a competence of the public sector. Thus, for instance, a private sector interviewee observed that:

*They [public sector] are fortunate to have rates. You know if you do badly one year you just increase the rates. If I do badly, I lose my customers, I don't have a choice (Bus H4).*

Another important barrier highlighted by respondents was the different 'language' of public and private sector. At these initial stages, there was a need to understand where the public sector was 'coming from'. This could be translated in a need for different actors to know each other and 'get over the public sector jargon'. In this respect, there is a need for private sector bodies to understand how the public sector works in terms of policy development, funding streams, partners etc. Some private sector respondents were more extreme,

*businesses do not relate to the council. They just don't relate. I don't know what it is, the language is different, they just, you really want businesses being addressed by a business person yeah? (Bus H4).*

#### **8.2.2.3 Discussing the influence of organisational structures and the cultural environment**

Differences in organisational structure reflect the different amount of knowledge that actors possess. The limited knowledge of the private sector about the complexity of the public sector, and the limited knowledge of the public sector



about the difficulties of running a business have a direct influence on their different expectations in terms of the speed of strategy development. However, issues of different cultural environments (i.e. different incentives, language, aversion to risk) reflect more decisively in 'knowing in different ways', which has a major influence on the extent of involvement in any particular government arrangement (Painter, 1997). Thus, different incentives, and languages seem to reveal a set of extremely different conceptual mechanisms rather than just a difference in the amount of knowledge that can more easily be bridged.

The difference in the cultural environment has significant implications in terms of the key characteristics of urban regime theory. The most important tenet of Regime theory is based upon the notion that actors are driven by rational behaviour. Rational behaviour drives both public and private sector actors to find a 'shared agenda'. However, the problem that the existence of different cultural environments poses is one of taking into account that public and private sector actors know in different ways, hence their understanding of rationality differs. What might be described as rational behaviour by the private sector is different from what might be accepted as rational behaviour by public sector officials.

This conclusion poses radical questions about the feasibility of public-private partnerships and demonstrates the need for much greater effort towards creating a shared agenda. In terms of policy practice, the problems identified by the review of sub-national economic development and regeneration (HM Treasury, 2007) amount to a description of the different types of knowledge of the public and private sectors. Cultural differences are not considered or underplayed. However, these differences can make the search for a 'shared agenda' rather difficult and contribute to increasing transaction costs in the collaborative process. A potential solution to this would be a reduction in the intensity of differing views within the partnership arrangement. For instance, Davies (2004) suggests that reducing the intensity of ties between groups with different policy ideas can enhance the effectiveness of governing. However, this would reduce the contribution of different points of view to the partnership process which arguably can lead to the development of innovative and more effective strategies and is one of the key principles of the partnership project as a whole.

### **8.2.3 Private sector engagement**

Previous sections have discussed the forces that influenced the extent of private sector involvement in the CGS. This section goes a step further by examining not just involvement but the extent to which the private sector has been able to shape the design and implementation of the CGS. This is important in order to assess one of the key rationales underpinning the introduction of the CGS, that is, the extent to which the private sector has been able to influence the design and implementation of the CGS. In order to do this, respondents were asked in what ways the CGS represented a change from past regeneration programmes targeting urban deprived areas. This was seen as important in order to provide further evidence as to the level of private sector engagement, since some scholars (Harding et al, 2000) have concluded that there is limited evidence of real engagement of the private sector in previous urban programmes, particularly in relation to the experience of the SRBs and CC. Analysis of transcripts with regional and local government officials confirmed some of these doubts. Private sector engagement prior to the CGS was seen as 'tokenistic', businesses were asked for their participation without real engagement, and public sector agencies as well as delivery organisations were seen as the real driver in the development of previous programmes.

However, as discussed in more detail below, the level of private sector engagement in both CGS areas has also been patchy. Some examples of effective private sector engagement have been identified, but overall the analysis casts doubts about the influence exercised by the private sector. In addition, the weak engagement of the private sector was strictly limited to those participating to the development of the CGS. Decisions taken by the partnerships in the two areas were only scarcely discussed with the wider business population in the two areas. These conclusions have been reached by first considering responses from private and public sector bodies and then examining the likelihood of financial contribution towards the implementation of some of the measures identified by the CGS.

### **8.2.3.1 Differences between areas**

In the City Fringe, some public sector respondents felt that the CGS constituted a change in direction in terms of engaging the private sector through setting an informed by the needs of industry. There certainly was a general agreement in the City Fringe that the CGS placed strong emphasis on businesses to determine where support should go in relation to previous programmes. However, in practice, business respondents in the two clusters examined demonstrated different views in relation to their ability to shape the design of the CGS. The jewellery partnership showed a more positive attitude towards businesses. As one respondent from the CFP observed:

*What changed was that the businesses and us kind of almost indirectly, not indirectly, but it was almost through osmosis kind of, that we created this sense, we are not going to agree on it unless you say [...], it was almost like a pact we were developing a business led community which was about sharing between private and public decision making (CFP 3).*

Central to this level of engagement of the private sector was the presence of a clear objective from the outset. The creation of a Jewellery Visitor Centre (JVC) was a shared objective of both public and private sector, providing workspace, training and a facility to promote the jewellery industry to new customers and market new jewellery materials. Each member of the board played a role in the development of the jewellery visitor centre under the leading role of Camden Council and the CFP. Around this, a whole range of other projects were developed, most of which were suggested by the private sector such as very specific forms of business support, and different types of training that were closely related to the skills and business support demanded by industry. These multiple objectives satisfied all private sector members of the HGJCP and secured their sustained engagement.

On the other hand, the experience of the Printing and Publishing cluster has been characterised by different responses that point in different directions. For some respondents, the public sector was the driving force in relation to the design and implementation of the CGS. In order to secure funding from the public sector, the private sector needed to modify its objectives in line with public sector priorities. As a business observed:

*It seems that there are a number of targets. Ehm, and we are all trying to make ourselves fit. Several public sector parameters, so that we can apply for other things. We are not really looking at the world as it really is. We are trying to really change it, make it fit into a category which then allows us to apply for other benefits and grants and so forth (PP Bus 1).*

However, other respondents suggested that the private sector did contribute to shaping some of the training programmes that were proposed. As a result, the CGS was seen as an important innovation in relation to previous programmes. As one public sector respondent commented:

*It does not go on about NVQs, it is talking about different aspects of the industry and what would be a good programme [...] tailored on the day to day needs of the industry rather than NVQs are good things therefore we should encourage more people to do them (Public CF).*

According to these views, there is some limited evidence that the private sector does influence some of the processes at least in terms of the design of training programmes. However, such influence seems to be strongly constrained by the importance of accessing funding which is in turn strictly associated to meeting public sector priorities and agendas.

In Haringey, evidence of private sector engagement was even more polarised towards a limited influence on the course of strategy. All private sector respondents expressed a negative judgement of their engagement with the CGS, albeit in more or less extreme terms.

In particular, private sector respondents were initially enthusiastic about joining the CGS, but were not given any relevant power in shaping the direction of the strategy. Thus, for instance, a business participant to the study summed up the general perception about the influence of the private sector on the CGS board in terms of the projects that were developed:

*We did develop some (projects). The problem is in the sort of environment, it is influence without power and authority. In the end it is like we are rubber stamping somebody's application for funds who is*

*sitting at the table [...] you would only consider what has been put in front of you (Bus H1).*

Further evidence of the lack of ability to engage the private sector emerges from the recent re-structuring of the CGS board involving a shift from small to large companies, and the handover of the management of the CGS to an external organisation, North London Ltd. This reinforces the argument that the existing engagement of the private sector did not work as expected and the involvement of large companies on the newly constituted and restructured partnership was found to be a more suitable vehicle for the development of the CGS.

Despite these problems and the recent developments, the Haringey CGS provides one of the clearest – albeit isolated - example of business engagement that follows the ideas underpinning the CGS. The promotion of the cabling training course in the ICT cluster as part of the Haringey CGS was an example of effective business engagement. This was characterised by an expression of need from a local business (i.e. skill gap in cabling) and, after a number of stages (i.e. feasibility study, recruitment of trainees, training provision) the recruitment of a number of previously unemployed people by local businesses.

#### **8.2.3.2 The financial contribution of the private sector**

This section begins with the assumption that the private sector would rarely invest its financial resources in a project that did not have its input and validation. Thus, an analysis of the extent of private sector's financial commitment provides evidence in relation to the extent of its engagement in the partnership process. Although it is difficult to provide conclusive evidence, as implementation is ongoing, the two areas displayed an overall lack of private sector financial commitment.

Private sector financial contribution in Haringey did not occur, partly because the few businesses on the board were not of sufficient size to guarantee a significant contribution. Public sector respondents felt that the private sector would and should have eventually invested in the CGS if its initial success had been demonstrated to them and if businesses participating could be guaranteed some

direct benefits from it. However, the proposals put forward were limited and not of significant interest to the private sector. In addition, as previously mentioned, the private sector expects the public sector to be the main and, often, the only funding actor.

While these problems were also experienced by the City Fringe CGS, respondents had mixed views about the likelihood of financial contributions from the private sector. In particular, attention was placed on developing the CGS, at least in the early stages, through the allocation of public sector funding. A respondent from the CFP observed:

*"I cannot say for certain, I think the aim and the objectives may well be that the private sector will pay for things in the future, but we are at a stage now where we are looking to kick start a lot of things with public funding" (CFP 2).*

Other interviewees were convinced that the private sector would eventually contribute financially towards the implementation of the sector investment plans, not least because they would have to in order to guarantee the implementation of the plan. In terms of the PPCAG the common opinion was that:

*They [private sector] will certainly pay for some of the services they get. [...] they need to be reassured that is going to be effective. But once you have some good examples, some case studies, the ones that they heard from colleagues it is working, then they will because they know they have to (Public CF).*

In terms of the jewellery sector, there was recognition that financial contribution had to date come from the public sector and the Goldsmiths' companies, but, again, that the private sector had to find some ways to fund the development of cluster. As one public sector official observed

*At the minute it is only Goldsmiths' that is putting money into it and the LDA, but if it works out and they want to sustain a website and they want to sustain it, they are going to find some ways to fund it (Camden C).*

A private sector member of the board maintained that his company's investment was going to be likely as long as they could achieve their main objectives. As he put it:

*When the visitor centre becomes a real, a very real prospect [...] I will have some funds for that (J Bus 3).*

Evidence from secondary source material showed that some private sector had already been secured. The Jewellery Sector Investment Plan was planning to secure 32% private sector commitment of which 20% (i.e. about £1.7m) was confirmed. However, it is important to distinguish within this, between financial commitment of jewellery companies and other types of private sector commitment to it, particularly from local developers. Investment through 'section 106' has made up almost all the private sector funding that has been allocated to date. This means that private sector resources were not committed by companies in the cluster, but were secured from developers by applying recent legislation on planning regulation.

Thus, generally, financial contributions from the private sector were limited, although crucially needed for the development of the strategy in the two areas. There was a general sentiment from private sector respondents that funding initiatives was a responsibility of the public sector. Although the development of initiatives is still ongoing, particularly in the City Fringe, this shows that the level of engagement of the private sector has been disappointing.

#### **8.2.3.3 Engagement of other stakeholders**

Evidence gathered through the fieldwork also revealed the limited accountability of the businesses that were involved to the private sector more generally. None of the partnerships examined had an appropriate system in place to refer back the decisions of the board to the overall number of businesses in the cluster. In particular, one of the respondents from the Printing and Publishing cluster cast doubts on the mechanisms for reporting the decisions of the steering groups to the other businesses in the clusters. He observed:

*It is all good to have the private sector there at the cluster action group meetings but you need other mechanisms to report back or consult with the rest of the sector or the rest of the group of companies. We cannot just say, oh we have six people from the industry last week on the meeting last week, end of story. Do you think they are reporting back to other 300 or what? Because they are probably not (Public CF).*

This comment was also reflected in the experience of one of the private sector members of the Haringey CGS who visited one of the initiatives implemented by the ICIC in the US. In particular, the respondent criticised the lack of rolling out of the strategy to other companies involved in the cluster and how public funding was used to help a restricted number of firms to achieve their specific objectives. As the respondent commented:

*And this works out all as a positive initiative, but at the root of it all, when it started 4 years ago, there were 13 people in the club with the potential of 390 members. And then at the end of the time, there were still only 13 people (Bus H1).*

Thus, these views indicate the danger that the CGS can be used only for the narrow interests of some businesses that participated in the partnerships rather than the cluster at large. A number of respondents pointed out that the companies involved in the partnership are set to benefit from the measures implemented by the CGS. Interviews with the Printing and Publishing cluster revealed that the lack of engagement of the private sector at large could have a negative impact on the success of the programme. Moreover, this particular problem is likely to strongly emerge at the implementation stage, when it is considerably difficult to modify the content of the measures enacted, resulting in a significant waste of public funding.

Although the CGS was never set up to enhance the engagement of local residents, it is important to consider whether it has done so, in order to address one of the wider problems highlighted by the literature in relation to the lack of democratic accountability of partnership arrangements more generally (Wilson and Game, 2006). In the contemporary policy-making environment, this is all the more significant as considerable attention has been paid to the involvement of the community, particularly under recent new Labour governments and underpinning programmes such as the SRB and the NDC. An additional question that might be



posed is the extent to which the CGS contributes to the development of participatory democracy given delivery organisations are strongly rooted in the locality.

In terms of democratic accountability, Camden Council in the jewellery sector and to an even greater extent Haringey council have been involved directly in the partnership processes. However, the extent to which these local authorities reflected the view of local residents in relation to the development of the CGS is open to discussion. As examined in detail below (section 8.3.1.2), these local authorities are significantly dependent upon the funding and priorities imposed by the LDA at the regional level. Thus, democratic accountability, at least in the context of the CGS has suffered from this particular problem as local authorities need to prioritise the policy objectives of the LDA as opposed to the demands of local residents. This is not to say that local authorities (and especially Haringey) have not tried to balance this imposition from above with the pursuit of strategies that could have a greater local impact, but overall the need to secure scarce funding has taken centre stage, and this has impacted negatively upon the level of democratic accountability.

In terms of participatory democracy a similar argument can be put forward. Interviews demonstrated a lack of influence of delivery organisations within the CGS in both areas. This was different from previous programmes such as the SRBs where the level of influence of delivery organisations over the design and implementation of policies was significant. In the CGS, this has not taken place to the same extent at least in Haringey and the jewellery partnership in the City Fringe. In terms of the Printing and Publishing cluster, the influence of delivery organisations seemed to be higher, but these were generally representing a particular sector rather than the locality as a whole. In addition, the limited size of partnership in both case study areas combined with the various attempts to reduce the size of these, especially in Haringey, demonstrated a tendency to pursue efficiency over democratic accountability (Keating cited in Imrie and Raco, 1999).

In addition, empirical evidence suggests that even when influence might have been possible, the strong reliance of delivery organisations on securing funding often

prevented these organisations from representing a business group or local residents. Reliance on funding constrained some of these organisations from delivering what was needed on the ground and confined them to follow priorities imposed from above. Most of the delivery organisations interviewed struggled to balance the priorities of government agencies with the reality of what they saw on the ground. As one of the respondents pointed out:

*Adjusting my position to fit into that policy, when I know in my heart that actually it is not what we really want, we need the money. And we can deliver it as they want it, but actually what is really needed is not what I am putting forward. We talk about my frustration countless times, countless midnight, countless bids that were, frankly, totally missing the point (J Bus 1).*

Interviews with businesses did not include the representation of businesses at large. However, one business was taking forward the concerns of his ethnic minority community and other businesses clearly expressed what has been called a wider interest in the community and the industry. In this sense, the inclusion of such businesses might lead to benefits in participatory democracy.

### **8.3 Problems of co-ordination and resources in the CGS**

This analysis discusses the relationship between and across different levels of government to further our understanding of how different actors and the relationships between them have shaped the development of the CGS. This analysis is important for a variety of reasons. Firstly, in assessing the experience of the CGS. Interviewees from the public sector identified the CGS partnerships as a platform to increase the co-ordination between different government agencies operating at the local level and between levels of government. As one LDA official pointed out:

*The CG is a framework in which all the key agencies and key programmes work together and are coherent. Economic regeneration is so fragmented, there is duplication and so on. One of the main aims of the CG is to enable all these different programmes and different strands to join up. Co-ordination is critical (LDA1).*

Secondly, the analysis is important in the context of increasing interest of the government towards joined up government. Joined up government can provide a number of benefits including better co-ordination between policies, better use of scarce resources, synergies that might lead to innovative and more effective approaches, and the more effective delivery of otherwise fragmented services (Pollitt, 2003).

When considering joined up government in terms of the CGS, three different levels and associated issues were identified. Firstly, issues associated with the collaboration between public sector agencies at local level. This is the most prominent as the CGS places emphasis on joined up action between agencies at local level. In addition to joining up at the local level, there are important considerations that have emerged from the analysis of the relationship between departments within the same agency. Finally, the analysis identified three different forms of tension between local managing organisations and the LDA at regional level.

### **8.3.1 Public sector agencies co-ordination at local level**

As discussed in chapter five, the extent of co-ordination at the local level was somewhat limited in both case study areas. This section accounts for some of the reasons underpinning the lack of co-operation between local agencies. In Haringey CGS, the analysis uncovered three obstacles to the effective collaboration between agencies operating at local level. These include different objectives between agencies, the lack of flexibility in the geographical focus of certain programmes, and the lack of funding which is seen as crucial in enabling the co-operation between agencies.

#### **8.3.1.1 Different objectives and lack of flexibility in spatial focus**

Interviewees with Haringey Council revealed that public sector officials often hold different views and pursue different objectives, thus it is difficult to secure co-operation between them. As one of Haringey council officials commented:

*There are a lot of things, on a general level, politics, people have different angles, they have got their own objectives to meet and to try to win them away from that and bring them into a room together is, itself, difficult (Con H).*

Thus, for instance, different agendas were reflected in the approach taken by the NDC and the CGS. NDC is directly accountable to the DCLG (Department of Communities and Local Government) and its key aim is to tackle social issues in deprived urban areas, while the CGS is directly linked to the DBERR (Department for Business, Enterprise and Regulatory Reforms) and mainly focuses on supporting competitiveness and enterprise. In other cases, the difficulties to collaborate stem from the fact that other partner agencies (i.e. NDC) had a specific geographical area to serve and did not want to use its funding to support the CGS. As one respondent put it:

*In particular with the NDC there was some sort of parochialism in terms of their money is for their area and it is hard to convince them to spend the money for the borough as a whole (HC 2).*

In fact, NDCs cannot spend funding outside their boundaries, a lack of flexibility also criticised by a recent NDC evaluation (CRESR, 2005). This problem has been discussed in the wider literature for some time in relation to area based policies more generally. On the one hand, there is a strong rationale for concentrating support to a particular area as resources are scarce and targeting might achieve greater results than otherwise. On the other, as scholars and interviewees from Haringey local authority have pointed out, there is a need to create bridges between NDC areas and other wealthier areas that would create employment opportunities. However, in this case, this required the NDC to stretch outside its boundaries, in particular between the east and the west of the borough of Haringey which display a rather different extent of deprivation and opportunities for economic growth. While this might be grounded in actual opportunities to link the West and the East of the borough, it is also important to remember that local authorities face a particular problem in balancing a focus on deprivation of NDC areas with other deprived neighbourhoods (CRESR, 2005). In a context of scarce resources and to further its own objectives (i.e. tackling deprivation in the whole of

the borough), the local authority has a significant interest in promoting expenditure in areas that are outside the NDC.

### **8.3.1.2 Promoting collaboration: the role of funding**

Despite the constraints to co-operation just highlighted, a considerable number of interviewees pointed to the importance of funding as a significant factor in enabling co-operation between local agencies. Interviewees argued that the limited availability of funding for implementation prevented the CGS from securing interests from other local partners. The opinion of a public sector official in regard to the relationship between the CGS and the HSP (Haringey Strategic Partnership)<sup>1</sup> described the key issue as:

*Even though we tried to get the HSP involved, but again you know, I suppose people sitting on the forum, what is the value of this that does not have any money surrounding it. We know what we want. We have the ability to spend funds and we are having a business board telling us how to do that [...] you will find that people moved away from it, because they did not need any cooks in the pie from their point of view. And there is nothing that the CGS can do in that instance. Even though they hold the high ground. If you can't influence where funding is spent is a bit of a waste of time (Public H1).*

The availability of funding was also seen as important in order to involve other local partners such as the NDC. The bid to secure finance from the LEGI was seen by Haringey council as an important step to secure collaboration from the NDC. As one of the respondents from Haringey council put it:

*...and particularly if we get LEGI [Local Enterprise Growth Initiative], that money is very important and our money will be very important to them [NDC] as well (HC 2).*

The LEGI and its links with the LAAs (Local Area Agreements) provides the important prospect of a better local co-ordination between agencies at the local level with the local authority playing a central role within the economic development process (HM Treasury, 2005). However, to date only 29 of the 70

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<sup>1</sup> HSP (Haringey Strategic Partnership) is one of the Local Strategic Partnerships in the UK focusing on the regeneration of Haringey

most deprived local authorities have received LEGI funding which restricts the ability of local authorities to achieve increased co-ordination. Moreover, some questions have been raised by this thesis in terms of the capacity of local authorities to undertake this process particularly in relation to private sector involvement and engagement.

A further demonstration of the importance of funding in Haringey emerged from the implementation of an initiative in the ICT cluster in Haringey. In this case, the LDA provided extra-funding for the development of the cluster. Thanks to this, the CGS was able to secure resources via CONEL (College of North East London) from the local LSC (Labour and Skills Council) funding allocation to provide cabling training for a number of local unemployed residents. This reinforces the point that without the additional funding provided by the LDA, Haringey council would have found it difficult to lever in additional resources from CONEL.

Thus, the lack of funding for the implementation of the CGS played an important role in constraining the ability of the council to secure collaboration from other local partners. In addition, interviews revealed that the LDA expected the council to bend some of its existing resources to increase its ability to secure collaboration from other partners. As the LDA official put it:

*If they [the businesses] go to North London LSC saying that they want the training, this is the broad framework for CG, the businesses have identified that this is a major skill needs in this area. We have got money from Haringey, we got money from NDC we need X amount from you to develop and complement this project which will get 20-30 people into jobs. I would be very surprised if LSC were to say no. By giving say £40K towards this project, their output would go to them, so basically it is a win-win situation (LDA1).*

As the CGS did not provide any resources to undertake implementation, the LDA expected Haringey to bend some of its own funding to the pursuit of the objectives of the CGS. This is an important issue, particularly in the context of ever increasing reliance of the government on 'bending' funding from mainstream programmes in order to deliver regeneration. As the CGS was allocated to Haringey, the council was expecting the LDA to invest resources to implement it, while the LDA was expecting the council to bend mainstream funding on the basis of the merit of the

strategy. Thus, part of the failure of the CGS can be attributed to this particular tension that eventually led to the demise of the strategy and the shift in management of the CGS to another organisation outside the control of the local authority.

The experience of the City Fringe CGS was somewhat different, but in terms of bending of other agencies funding, both clusters examined have not shown great dynamism. Although it is too early to assess its capacity to secure collaboration between agencies, the development of the jewellery and printing and publishing clusters mainly relied on LDA funding and planned to use these resources to lever in investment from private sector and other agencies.

There are, however, some signs that co-operation has taken place. Firstly, through the attitude towards collaboration originating in the well established relationship between public sector agencies within the City Fringe Partnership. This has helped to create an increasingly strong relationship between the CFP and Camden Council. Secondly, the jewellery partnership has grown organically from a specific objective (i.e. the creation of a jewellery visitor centre) to a considerable and highly elaborate programme over a considerable period of time. Thirdly, the jewellery partnership was helped in its development by the involvement of a key actor (i.e. the Goldsmiths' Companies) that has contributed financially and has shown willingness to participate in the development of an effective partnership.

In terms of the printing and publishing partnership, the same conclusions can be drawn. Thus, although it is too early to draw firm conclusions, the development to date has relied on the ability of the CFP to secure funding from ERDF and associated match funding from the LDA rather than any capacity to influence other funding bodies to invest in the strategy on the basis of its own merits.

The experience of the two case study areas shows that funding is particularly important in order to convince other local partners to collaborate. The evidence is not limited to the two case study areas, but also appeared from attending national conferences drawing on the experience of phase two CGS areas. From these discussions, it emerged that the stage of development and the success of each

strategy was clearly linked to its funding and the ability of this to lever in resources from local partners. Those that did not have funding were not able to persuade other agencies to be involved in the CGS.

### **8.3.2 Cross-departmental co-operation**

Some problems of joining up between departments emerged from the analysis of interview transcripts in relation to the Haringey CGS. As one observer to the development of the CG commented:

*CG was just delivering the objectives of Haringey Economic Development Team. So there was no cross council involvement in planning, transport from other departments within the council (ConH).*

The comment points to a lack of integration between policies pursued by different departments within the council. This particular issue is important in a number of ways. Firstly, in relation to Porter's (1995) work which highlights the importance of improving the business environment in inner city areas. This means, in practice, increased attention towards road infrastructure, congestion, street cleanliness, crime and other measures that would improve the conditions of the area in which businesses are located. In addition, these measures would have the double effect of improving the competitiveness of local companies across sectors as well as encouraging other companies to locate in the area. Moreover, the improvement of the business environment, it is at the heart of demands made by small businesses in both areas and especially in Haringey. A critical observer at the LDA argued that:

*More often than not localities just need to get their fundamentals right first [e.g. lighting, rubbish collection, cleanliness etc] and then move on to other more elaborate forms of interventions to support businesses such as business support and workspace (LDA5).*

Thus, there is a strong argument for putting in place measures that would improve the business environment. As mentioned in the literature review, a number of authors (Begg, 2002b; Docherty et al, 2004) have been involved in developing concepts that increasingly focus on this particular theme. However, these authors have been more concerned with the City dimension rather than the practicalities of putting in place their propositions. In practice, the implementation of measures to



improve the business environment require the concerted effort of a number of actors within the local authority, and also needs major financial investment that inevitably involves other major public sector agencies (e.g. Transport for London) at regional and national level.

### **8.3.3 Tensions between local and regional agencies**

Problems of co-ordination that ultimately impact on policy delivery can also be drawn from the relationship between the CGS managing organisation and the LDA. Three major tensions between local and regional public sector agencies emerged from the study. Firstly, the funding priorities of the LDA do not reflect, in some instances, the needs of the areas concerned. Secondly, the LDA is subject to rapidly shifting priorities that make it very difficult for an organisation on the ground to plan ahead and continue implementation. Two CGS clusters experienced this problem especially as a result of the Olympic bid win. Thirdly, some interviewees lamented the potential contrast of policy objectives such as the need for housing, on the one hand, and business premises, on the other. These three themes will be discussed below.

#### **8.3.3.1 Funding priorities**

An example where funding priorities of the LDA do not correspond with the needs of the CGS area is provided by the retail sector that does not feature in the LDA Economic Development Strategy<sup>3</sup> and therefore struggles to obtain funding for its development. One public sector official summarises the situation quite clearly:

*You need to show some correlation to what the key drivers are within the funding institutions. It would be no point from Haringey point of view to say look at retail, financial institutions and public sector [as priority sectors] because although they are key sectors within the boroughs that employ a lot of people, there is no funding there to impact on their development. So you have to choose what is the next best option really that marries off with the things that funding institutions will have on their landscape (Public H1).*

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<sup>3</sup> The EDS focuses on creative and production industries, innovation, life sciences, environmental improvements, and tourism

As a result of this, agencies engaged in the delivery of services to their areas attempted to find a way to bend funding towards the retail and service sector where most of the BME groups are engaged in. In order to do that they have to:

*Straddle two things, trying to straddle the very strategy but also straddle what actually works and is operating on the ground [...] but they will be using funding streams that are meant for other things to do that (Public H1).*

However, this is considerably difficult taking into account that a lot of the LDA's funding priorities are around:

*Waste management, sustainability and environmental impact all that sort of stuff to BME women, disadvantaged groups that want to get into business that go mainly to a service model and a retail model. [...] so it is the reality of it that a borough like Haringey cannot really in my view act upon the real key strengths of the area because the funders are not funding that. Although they are funding the client group (BMEs etc) they are not funding the activity that the client group naturally would go into (Public H1).*

The situation is further complicated by the fact that policies in a number of occasions were set against the priorities expressed by the private sector and the CGS as a whole. Certain LDA funding streams were allocated to improve innovative practices and processes but as an interviewee pointed out, only few businesses in Haringey were:

*Involved in that area of business and sometimes if you want to put innovation in a company, it may mean that you lose people, although one of the targets is job creation, and job safeguarding (Public H1).*

The CGS suffers from a number of other contradictions that may hamper its potential development. A Haringey council official pointed out that although on the one hand some policies are trying to create more affordable space for businesses to meet their needs, on the other the LDA is putting pressure on Haringey to deliver 12,000 new homes by 2012. Other CGS areas of London such as Heart of South London experienced the same problem. As one of the respondents from the Heart of South London observed:

*Suburbia, that is the problem of the Heart of South London area. If you are not careful it will just change to being entirely housing because pressure on the local authority is to build more and more housing because of the targets. Very tempting for the local authority to transform from employment use into housing use (Deptford/New Cross CGS).*

This demonstrates the tension between different economic and social policy objectives emanating from London-wide government and requires an integrated design of development strategies in particular areas to balance the relative importance of housing and business premises. Further to these complications, the relationship between Haringey Council and the LDA has had a considerable impact on the development of the CGS because of the gap between the objectives of the CGS and the broader objectives of the LDA. This constitutes a key problem in the greater powers recently given to the Mayor of London in relation to the areas of learning and skills, housing and transport (North et al, 2007). Although such powers may make for better London-wide policy co-ordination, as the example of housing demonstrates, it could also lead to major tensions between the Mayor and local government.

#### **8.3.3.2 Changing strategic priorities**

A final issue is that public sector strategic priorities change very rapidly as has been particularly notable in the case of the Olympics affecting the operations of a large number of actors from both case study areas. As one respondent from a delivery organisation in Haringey commented:

*Since the revelation of the Olympic bid success, we have had considerable problems with continuous funding from the LDA which we recognised was an issue over a year ago in the event that we would win the Olympics. So we did contingency arrangements to try to get funding from other sources and we have managed to attract other funds. And I think if we had not done that, this project would have gone out of business some months ago (DOH3).*

And this evidence is corroborated by the comments of a LDA official who mentioned that

*And, of course, in the last couple of years, there has been changes in the funding priorities so at one point [name of organisation] might have had £10m notionally allocated to support it, the next year might have £5m because priorities have changed (LDA3).*

As a result, especially in the City Fringe CGS, respondents expressed the view that the private sector should learn to invest in the development of its own industry independently in order to minimise the instability of public sector intervention. These differences pushed some respondents predominantly from the private sector but also from some LDA officials to suggest that approaches such as the CGS should aim to be as independent of public sector influence as possible. This was essentially because the public sector cannot be 'trusted' to deliver economic change. Although these views only represent 'wishful' thinking for the development of future strategies, they do reflect a desire to move towards a development model that is closer to the US experience characterised by a stronger culture of private sector intervention alongside weaker reliance upon public sector involvement.

#### **8.4 Conclusions**

This chapter examined the reasons underlining the different governance trajectories of the two case study areas by analysing private sector involvement and engagement as well as the co-ordination between managing organisations and public sector agencies at different levels of government.

Private sector involvement and engagement in the CGS in the two areas has been varied. The analysis demonstrates that the structure and objectives of the two managing organisations have had a significant impact on different experience of the CGS in the two case study areas. However, there is a need to take into account other factors such as the different historical development of business involvement in the two areas as well as differences by sectors. In particular, the experience of the jewellery partnership in the City Fringe demonstrates that a sense of attachment to the area can be considered an important explanation of the relative success of this particular partnership. It is important to remark, however, that the case of the jewellery partnership and to a lesser extent the printing and publishing cluster are somewhat isolated from the other clusters targeted by the CFP. These displayed a more limited private sector involvement, thus conclusions about the

experience of the jewellery and printing and publishing cannot be generalised to the overall experience of the City Fringe CGS.

The extent of business involvement is also influenced by the different types of interests pursued by businesses. Haringey businesses mainly pursued a narrow business agenda that has not been conducive to the development of a successful partnership process. In contrast, the analysis has shown that the jewellery partnership in the City Fringe has been successful because of the tendency for businesses to pursue a wider business agenda. This has partly been determined by a 'sense of attachment' to the place which is a product of a socio-cultural environment that has developed over a long period of time, and it is unique to the particular area of Hatton Garden.

Crucial differences between public and private sector were found in terms of the organisational structure and cultural environment. These were displayed equally in both case study areas and were recognised as a common problem across other CGS areas. The different organisational structures of private and public sector bodies hamper the construction of long-term sustainable partnerships. Interestingly, this is still the case, despite the fact that public sector bodies have increasingly moved towards management processes derived from the private sector. The slow pace of development of the strategy determined a negative response from the private sector that found it difficult to maintain engagement. This was even more marked in Haringey where the high number of small companies in the area faced additional barriers to participation given their limited availability of time and resources in comparison to the involvement of larger companies in the City Fringe. At the more conceptual level, this particular finding has an important consequence for the application of urban regime theory in the UK. As one of the key elements for effective and durable regimes is the need for long-term collaboration between public and private sector, the evidence here shows that this is particularly problematic given the pace of development of strategies and the economic structure of deprived urban areas characterised by a large number of small companies.

Although these differences might be somewhat overcome by for instance a more effective use of time by the public sector, differences in cultural environment pose even greater problems for the CGS and public-private sector collaboration more generally. While organisational differences amount to differences in knowledge between public and private sector, differences in cultural environments reflect a 'knowing in different ways'. If public and private sector have a different view of reality, their view of what is rational also differs. This has important consequences in terms of urban regime theory which assumes that the pursuit of rational behaviour will lead to optimise the outcomes of public-private sector collaborations. However, if such rational behaviour is based on a different understanding of the principle mechanisms guiding the external environment, this will inhibit the development of such 'urban regimes' in the UK context.

Business engagement in the two areas has shown some success stories, but these are only restricted to isolated cases. Doubts remain given that the financial contribution of the private sector has been limited in both areas and both private and public sector expect the other to commit substantial funding for implementation. In addition, examples of business engagement of the wider business community and a contribution to the development of democratic and participatory democracy, have been limited.

In terms of joined up action between and across government levels, the experience of the CGS has shown a varied experience. Collaboration between agencies at the local level was constrained by different objectives and the spatial reach of area based policies. While these elements are important, empirical evidence suggests that funding plays an even more important role in determining the level of collaboration between agencies. In particular, funding is crucial in securing the collaboration with other local partners. This evidence is not limited to the two case study areas but appears to be a consistent trend across other CGS nationally. The policy environment is therefore characterised by a strong reliance on short-term funding to both implement policies on the ground but also to attract additional funding from other local partners. When confronted with the different mechanisms driving the CGS (i.e. limited funding availability), public sector agencies found it difficult to develop different ways to collaborate.

The relationship between the local and city wide levels of government revealed major tensions between LDA priorities and the needs of recipients on the ground. Thus, for instance, various respondents repeatedly highlighted the tension between policies aiming at identifying space for residential and business use. These are likely to create further tensions between regional and local policy targets in the future as the Mayor of London has greater powers in defining housing needs. In addition, the rapidly shifting strategic priorities of the LDA have led some interviewees to conclude that economic development initiatives should be as independent from the public sector as possible which would lead to a greater reliance on the private sector to develop economic development initiatives. However, as this thesis demonstrated, the private sector, despite some exceptions, is not as yet prepared to fulfil this role.

The concluding chapter to the thesis will discuss these findings in relation to the main questions of the study highlighting the key conceptual and policy developments that could be useful for furthering theoretical debate and generating useful policy lessons for the London Development Agency.

## **9 CONCLUSIONS**

### **9.1 Introduction**

The thesis has investigated the themes of economic competitiveness and governance in relation to deprived urban areas by examining the case of the City Growth Strategies (CGS) in two areas of London. A research methodology based on policy analysis was adopted as it enabled investigation of the relationships between theory, policy and practice. A qualitative research method based on face to face interviews and complemented by secondary sources was followed to uncover actors' understanding of social reality.

This chapter discusses the findings in relation to the main research questions of the study highlighting a set of conceptual developments as well as policy recommendations. Policy outcomes from the study are particularly important in terms of fulfilling some of the requirements of this 'Case Studentship' which was partly funded by the London Development Agency, a public sector body with a strong policy interest in the findings. Moreover, a section reflects upon the approach to policy analysis adopted for this study and its implications for contemporary approaches to policy evaluation

It is important first to revisit the conclusions from the literature and policy review (chapter two and three) in order to connect these with the findings from the thesis. Chapter two critiqued Porter's model in general and its application to inner city areas in particular. It did this by including insights from political economy and institutional approaches. These revealed that Porter's model for inner city areas is characterised by a number of weaknesses particularly around the contradictions of its policy outcomes, and the inability of an approach based on economic growth to address issues of economic deprivation and social exclusion, particularly in terms of linking economic growth with job opportunities for local residents. The empirical analysis developed these issues highlighting the range of policy contradictions that emerged from the practical application of Porter's model, mixed with and mitigated by tensions rooted in the UK policy environment. Moreover, evidence showed that this approach provides limited benefits for those local residents that need it most, thus to a large extent failing to regenerate the



area in any meaningful way for the people living there. In this context, the first part of this concluding chapter provides an overall assessment of Porter's model for the economic development of inner city areas by discussing key concepts that emerged from chapter two and were investigated empirically throughout the thesis.

In terms of governance, insights from Regulation Theory and policy network approaches were used to discuss the concept of governance. The result of this investigation was that the trend towards governance is characterised by increasing fragmentation of policy making at the local level and a different rather than a weakened role for the state. In addition, the relationship between the private and public sectors was discussed drawing upon insights from regime theory. This highlighted the importance that a partnership process can play in developing economic development strategies, but raised doubts about the effective ability of the private sector to be engaged in this process in the UK. The study has shown that although more locally sensitive governance is sought by public bodies, in practice the central state maintains a key role in terms of setting priorities and funding allocation which strongly influences the degree of autonomy and development of policy making on the ground. The private sector has played a limited role in influencing the direction of policy making for a variety of reasons that have been discussed. Yet, where collaboration between private and public sector has taken place, the analysis of the CGS has provided some useful lessons for policy practice that will be discussed in the second and third part of this chapter.

## **9.2 Competitiveness in deprived urban areas**

The first major question posed by this research relates to the Porterian model and whether this represents a basis for effective regeneration of deprived urban areas within the UK. Porter's model has certainly pushed the importance of economic policies further up the policy agenda in a variety of ways. It is important to remember that his contribution comes from one of the most prestigious US academic institutions and has certainly been successful in attracting greater attention to the unresolved problems of inner city areas. As a substantial number of policies are transferred from the US, Porter's work has also contributed to inject a more positive view about policies for UK inner city areas based upon the

potential of these areas rather than their history of economic and social deprivation and decline.

However, this research has found that the model presents some key weaknesses particularly in terms of the vision that an approach based on economic growth can trickle down to benefit residents of deprived areas. Even when this shortcoming is accepted, Porter's model shows some other important weaknesses. The first is in relation to the transfer of the model to a different economic and policy environment, and the second includes the pursuit of different economic development paths that reinforce the issue of incoherency between Porter's ideas. These are examined in more detail below.

#### **9.2.1 Social basis to competitiveness**

The attempt to link the pursuit of competitiveness with the local labour market has not only an economic rationale, but also a social rationale in terms of improving the employment opportunities of disadvantaged residents. This in turn would contribute to tackling issues of social exclusion by promoting economic inclusion. In this context, Porter (1995) proposed linking companies located in inner city areas with the local labour market via demand-led training and the creation of links between companies and local residents via third sector institutions that could provide an interface between them. The need to link companies and residents was also a strong feature of the strategy documents produced to guide the economic development of the two case study areas. However, in practice this has been limited, particularly in the two industries examined in the City Fringe.

Despite the limited success in linking economic growth with tackling social exclusion within the current CGSs, a number of respondents from public and private sector emphasised certain policy solutions over others. The advantages of a focus on demand-led training, for instance, featured strongly amongst respondents who emphasised the maximisation of local employment creation as a clear strength. However, a detailed examination of this approach also demonstrated a lack of any clear relationship between promoting economic growth and benefits to the unemployed and disadvantaged.

One reason for this is the tendency to attract those unemployed that are closer to the labour market as they are easier to employ. Another element of criticism is that in some instances the employment opportunities created are not sufficient in scale compared to the levels of localised worklessness, and the jobs being created are in any case subject to competition from in-commuters seeking employment. A partial solution to these problems would be to extend the reach of disadvantaged groups outside their local labour market, particularly to outer London where positions for unskilled workers are on offer, particularly in construction, hotels, manufacturing and distribution (CoL, 2003). In Haringey, respondents pointed out the possibility of linking the West part of Haringey with the Eastern side. The Upper Lee Valley Corridor linking Haringey to job opportunities at Stansted airport is another example of such initiatives.

However, a further, and perhaps, more important challenge in contemporary UK policy making is the creation of employment opportunities for those groups that are further away from the labour market. In this case, demand-led training and the extension of labour markets towards a sub-regional/regional dimension do not seem to offer a solution. The most disadvantaged groups are in fact less employable and less mobile and therefore tied to jobs that are available locally, but for which they do not have adequate skills. In a period of sustained economic growth, these hard to reach groups present a real challenge for improving the economic conditions of deprived urban areas. These groups need basic skills training that also encompasses various forms of social and health related support. This is a problem that is particularly pronounced in London, where the New Deal for employment has encountered major problems in contributing to the shift from unemployment into employment (HM Treasury, 2007).

This suggests that a mix of approaches is necessary: approaches that pursue both economic rationales and social objectives. Alongside a greater effort on creating local job opportunities for those further away from the labour market, strategies to link people to jobs outside their area could target more strongly those that are already closer to the labour market. However, these conclusions sit uncomfortably

with Porter's (1995) proposition of linking companies to job opportunities for those local residents that are more easily employable.

It is also important to remember that some groups face particular problems of geographical mobility (e.g. disabled people, single parents). Thus, these groups would find it very difficult to commute to other areas for work. In such cases the CGS is unlikely to help. These groups have a variety of needs that can be supported only by welfare state provision. Thus, a way to help these groups is to target intervention specifically at some of the social issues that they face and then attempt to link them to employment opportunities. Economic and social agendas need therefore to be pursued simultaneously.

This discussion stresses the inability of approaches based solely on economic growth to tackle the issues residents of deprived urban areas face. At a more conceptual level, the focus on economic growth can be interpreted as an attempt to concentrate resources to the benefits of particular groups (i.e. private sector) over others (i.e. disadvantaged residents). Insights from political economy are therefore instrumental in understanding the processes that underpin this uneven distribution of opportunities and resources. These insights point to the importance of an analysis of the dynamics of urban labour markets in overcoming processes of exclusion. However, such approaches have rather less to say about the specifics of how such processes interrelate with particular places. For example, the limited spatial mobility of residents of deprived areas and the practical and personal reasons why they are unable and/or unwilling to commute outside of the area are clearly important issues. However, political economy approaches often fail to specify more clearly such links between space and deprivation.

### **9.2.2 Competitive advantage in UK deprived urban areas**

The evidence from the study showed that, despite their spatial proximity to each others, the two case study areas have different competitive advantages rooted in their relative distance from central London as a major market for businesses. This suggests the need for a careful examination of the competitive advantages of each deprived urban area in recognition of their diverse economic structure and has

clear implications in terms of designing an appropriate economic development strategy.

The study found that the competitive advantages of the City Fringe are particularly based on serving the City of London both in terms of business service activities and as a consumer market. On the other hand, Haringey's competitive advantages are mainly based on easy transport access to central London alongside its relatively lower cost of premises which counterbalance the greater distance - in relation to the City Fringe - to central London markets. In addition, Haringey has a further competitive advantage characterised by the presence of a growing local consumer base made up of central London commuters living in the borough.

However, this approach presents a number of problems related to Porter's conception of inner city competitive advantages. In part, these reflect the difference in the economic structure between the UK and the US. Some of Porter's (1995) analysis appears to have limited validity when applied to UK deprived urban areas. Thus, for instance, inner city areas in the US are characterised by a lack of demand for business premises. As a result, the price of such properties is lower than in more buoyant areas sitting close by and this constitute a competitive advantage inner city areas can offer (Porter, 1995).

The same problem is found in particular areas of England such as former mining areas and urban areas in some of the cities in the north of the country. In these areas, the problem of lack of premises is dominated by a lack of business investment. However, in London and other highly urbanised conurbations the issue of lack of premises seems to be due to its inelastic supply rather than weak demand (Gordon et al, 2004). Thus, the solution to the problem of lack of premises is different. From the policy perspective, the US requires greater investment, while the solution in the UK needs to be found in the correction of the gap between supply and demand of premises as well as in the decision making processes of land use planning within local public sector agencies. In order to alleviate this problem, the two case study areas have concentrated their effort on the provision of incubation space and workspace for start-ups and established businesses. However, given the magnitude of the problem, this is unlikely, on its

own, to tackle the fundamental problem of lack of business premises in these areas. An active intervention of local planning authorities is warranted in order to make better use of the space available. The statistical data presented in this research show that deprived urban areas have a high rate of premises that are not utilised. If such premises were to be placed on the market, this would go some ways to reduce the problem of lack of premises.

Similarly, the argument of 'under-served markets' appears to lack relevance in the UK market context. The Haringey CGS area, for example, is characterised by a considerable retail base rather than a lack of one. This particular evidence is complemented by other studies looking at under-served markets in the UK. These concluded that most of the areas that were supposed to display a lack of retail provision have had in fact already been served by major retailers, particularly food retailers (DTI, 2002).

Another key element of Porter's analysis, the notion of a pool of labour as a source of competitive advantage of inner city areas, is problematic as Porter (1995) is not clear about exactly how it provides competitive advantage. A pool of low skilled labour in deprived urban areas can only be considered as a competitive advantage in relation to particular sectors that employ a low skilled workforce such as clothing, food and drink, catering and, more generally, activities based on routinised production processes.

However, some of these sectors face long-term decline which constitute an important part of the problem of deprived urban areas. Manufacturing has experienced a long-term decline partly due to the globalisation of routinised production activities which are increasingly located in countries that can offer a lower labour cost. This is the case of printing in the City Fringe and even to a greater extent the case of clothing in Haringey which has experienced a substantial relocation of companies from Haringey to countries offering a lower cost of labour. The way forward here appears to be sustained investment in technology, innovative design and workforce training in order to maintain competitiveness. This was recognised by interviewees involved in the development of specific clusters (printing and jewellery) as an important priority. These particular

examples reflect a much broader trend towards the need for continuous product and process innovation to maintain competitiveness (Amin, 1997; Krugman, 1991; Porter, 1990). This ties in with Regulationists views of a Post-Fordist era where rapid product and process innovation are the central mechanism supporting accumulation regimes (Jessop, 1997). However, continuous product and process innovation necessary to sustain this type of accumulation regime requires a high level of skills which are in scarce supply in deprived urban areas.

Despite these limitations, some sectors/clusters examined in this study seem to have been less exposed to the threat of global competition. The nature of the products being traded enables such companies (e.g. food and drink) to remain competitive, because their major advantage is based upon proximity to markets, and the reliance on timely deliveries as a key component of their operations. As food products are by their nature perishable, there remains a need for some to be produced and delivered within localised geographical areas. These companies make use of a combination of competitive advantages such as the lower cost of premises, easy access to markets and the abundance of a pool of low skilled labour living in urban deprived areas. However, in sectors such as jewellery and printing, the situation is different.

The presence of wholesale business activities, particularly in Haringey, might experience growth rather than decline in the future. Changes in logistics with the widespread adoption of 'just in time' practices have changed the pattern of localisation of companies and, in part, re-established the importance of space in determining the localisation of economic activities (McCann and Sheppard, 2003). The increasing amount of global trade characterised by a variety of differentiated products, small volumes and the need for timely deliveries appears to have increased the importance of proximity to markets. In this context, deprived urban areas might benefit from greater localisation of wholesale type of activities (albeit in smaller premises) as proximity to large markets in central London becomes important, despite the trend towards lower costs of transport that facilitates the dispersion of economic activities across a wider geographical area.

### **9.2.3 The pursuit of different economic development paths in City Growth Strategies**

The CGSs were interpreted in different ways in the two case study areas. In Haringey, respondents placed greater emphasis on the importance of tackling barriers that businesses face irrespective of the sector they belong to. Other respondents also indicated the importance of inward investment which introduces a different logic to growth. In contrast, the City Fringe pursued an endogenous strategy based on supporting the specific needs of each cluster. Finally, both areas also attempted to encourage both horizontal and vertical networking between different companies.

These strategies belong to different conceptual traditions that interpret the reasons for business location and growth in different ways. A number of issues arise from the development of different economic development strategies. Firstly, there is an important difference between supporting agglomeration economies and cluster specific measures. Both institutionalist approaches and Porter's (2000) work examined in chapter two concur that while the importance of building up on agglomeration economies is a necessary element to the competitiveness of localities, it is no longer sufficient. Cluster specific measures need to be put forward in order to create the conditions for improved competitiveness. Although Porter (2000) stresses the importance of cluster specific measures, his analysis of competitiveness for inner city areas focuses on both the importance of agglomeration economies, and clusters in determining the competitiveness of inner city companies.

However, as the thesis results highlight, these approaches have rather different policy implications which involve different actors and benefit companies and people in different ways. The attention towards cluster specific issues in the City Fringe focused upon the creation of a private sector investment plan. This was more successful in tackling the essential weaknesses of the sector and was easier to implement because it did not require a considerable commitment of resources compared with more generalised support for agglomeration economies. Moreover, it also recognised the contribution of the private sector in terms of its expertise, and was more likely to lead to greater success because of its clearer focus on the



determinants of an industry's competitive advantages. This is not to say that efforts towards the promotion of agglomeration economies should not be pursued. The improvement of the transport infrastructure, and the general business environment are often a greater problem in deprived urban areas than elsewhere and need to be addressed. However, this needs to be the focus of the concerted effort of government bodies at different spatial scales and cannot be addressed only at the limited scale at which the CGS operates.

The limited success of the CGS has only been possible where cluster specific measures have been designed and implemented. This is because the CGS implies the strong involvement of businesses that are particularly interested in the development of their particular sector/cluster. The pursuit of measures aimed at improving the general business environment such as the improvement of the transport infrastructure are beyond the CGS's capabilities given that the initiative has focussed on local level public and private sector intervention.

Secondly, the support for agglomeration economies is also different from the development of networking relationships between companies. As examined in chapter two, these two approaches have very different explanations of the sources of competitiveness within localities. Whilst one explains agglomeration as a way to take advantage of particular, generally physical characteristics, of urban areas the other, emphasises networks between companies and between these and the wider institutional infrastructure. Their policy outcomes are also rather different. The first based on tackling the cost and lack of availability of affordable premises, training and the issues affecting the business environment. The other, stimulates networking between companies because this is seen as the core of competitive advantage. Horizontal and especially vertical collaboration along the supply chain are seen as an important factor encouraging greater competitiveness of particular clusters or industries in particular localities.

The CGS in both areas supported the development of networking relationships between companies. However, most of these were in practice limited to the creation of websites, newsletters and other such measures. These are not comparable with the examples of cluster policies aimed at stimulating and

promoting networks in Europe and elsewhere in the UK (Raines, 2000) which have received significant resources and have a clear specified objective of encouraging greater networks between companies. Conversely, the CGS received limited funding, and networking was only one element of its overall strategy. Thus, the range of interventions put in place by the CGS represents an inexpensive way to create outcomes for the strategy rather than a clear and planned programme of support for the development of networking relationships between companies.

Moreover, evidence discussed in chapter two points to the greater importance of agglomeration economies over networking between companies to explain the competitiveness of the London's economy (Gordon and McCann, 2001). The pursuit of networking relationship is based upon trust and long-term relationship between business actors. However, as Gordon and McCann (2001) explain, companies in London are driven by short-term profit maximisation which counters trust and long-term relationships and, as a result, the opportunity of promoting successful networking relationship. This shows that the pursuit of networking policies in London might be more difficult than in less complex and less urbanised areas where some of the most influential empirical work on the advantages deriving from networking has been drawn.

Thirdly, the study highlighted the differences in endogenous and exogenous growth which have implications in terms of the pursuit of a coherent economic development strategy. UK local economic development approaches have experienced an increasing shift from a focus on exogenous development models as exemplified by the UDCs and the EZs in the 1980s, to an endogenous approach focussing on the support and growth of the existing business base, particularly under the New Labour governments. In this context, the evidence from this study showed that the CGS is characterised by some elements of departure from the endogenous model. Some regional and local public sector interviewees actively promoted the pursuit of an inward investment strategy aiming at attracting large companies within urban deprived areas. However, this particular strategy suffers from major weaknesses which were discussed in chapter two in relation to the case of the UDCs and EZs, most notably the unevenness of their impact on deprived urban areas and their residents.

The three different policy directions examined here suggest that the interpretation of the CGS has been variable and contested. This confusion is not only due to various constraints and the erroneous interpretation of policy makers, delivery organisations and businesses on the ground, but in large part to conceptual issues within Porter's own analysis of inner city areas, the policy implications of which were left unexplored. The variety of policy prescriptions put forward by Porter led to inevitable confusion as to what strategies should be pursued.

#### **9.2.4 Clusters in deprived urban areas: spatial issues**

Beyond the empirical problem of identifying a cluster discussed in detail in the literature (e.g. Martin and Sunley, 2003) and confirmed in this study, the analysis of the existence of local clusters showed that none of the six sectors prioritised combined all the elements of cluster that Porter (2000) proposed. The jewellery sector is possibly the closest to Porter's own definition but represents a unique feature of the economic landscape which is related to the particular nature of the product being traded.

One of the key problems that prevents considering most clusters as 'local' is the identification of their spatial boundaries. Most clusters are not bound to any geographical level and stretch over government boundaries to at least the sub-regional, regional and often national level (Martin and Sunley, 2003). This recognises the need to examine the different characteristics of each cluster case by case. Moreover, in the vast majority of cases the most appropriate spatial level to engage with a cluster is likely to be at the sub-regional or regional rather than local level, as some interviewees involved in the CGS proposed. Thus, from a policy perspective, a partial solution to the effective employment of the cluster concept would be to widen the area of coverage from a local to a sub-regional or regional scale. The discussion of this is particularly pertinent given the recent developments of the CGS in the two case study areas towards a widening of the CGS sub-regionally in Haringey and regionally in the jewellery cluster in the City Fringe.

Intervention at a wider spatial scale would carry a number of advantages. Firstly, the wider the area the more likely this is to relate meaningfully to the cluster. This, in turn, would enhance the chances of collaborative work and other opportunities between companies in the cluster. The CGS managing organisation would be able to choose from a larger pool of potential private sector members and, as a result, would be able to assess the extent to which each private sector member would be a suitable candidate. This would overcome a much debated problem of having a very small firm population that is perceived as unable to commit because of their lack of resources, time and vision. For instance, the managing organisation would be able to choose larger firms which are seen to have adequate long term vision and financial resources for the development of the area. At the same time, a larger area and more adequate private sector partners would increase the amount of available match funding and the lobbying power of the CGS over local, sub-regional and regional funding agencies.

A shift towards a wider spatial scale would also enable the identification of interventions and opportunities that are more in tune with the emphasis of the CGS towards opportunities rather than needs, in line with the point made above of linking deprived urban areas residents with the sub-regional rather than highly localised labour market. Some respondents pointed out that growing firms and dynamic areas should be the focus of intervention. Thus, for instance one respondent pointed out:

*The most prosperous areas within Haringey [West of the borough] have had rather less attention than the areas that are not doing very well [East of the borough]. And this is part of the old problem that traditionally regeneration has focussed on problems and difficulties rather than focussing on the fertile areas we have got that can offer work opportunities (MK. 342-348).*

In employment terms, this would be in line with Tyler (2004) who observed that a conclusion from several studies is that solutions to the employment needs of deprived areas need to be found at the sub-regional rather than local scale.

On the other hand, the widening of the geographical scale presents a number of important difficulties. Firstly, a focus on a sub-regional level could cause a lack of

effective targeting. Thus, the long-term objective of regenerating deprived areas may be weakened by targeting a larger area. One of the criticisms from Robson et al's (1994) evaluation of urban policies that led to the introduction of programmes such as the CC and SRB was a lack of spatial targeting. A widening of the area for intervention also runs into the problem of how to secure funding given financial resources are often only available to tackle problems of deprived areas rather than for a wider area. In relation to Haringey, for instance, NDC funding has to be spent in particular deprived locations in the Eastern side of the borough.

An additional problem emerges when the issue of linking deprived areas with more buoyant areas is considered. In terms of Haringey, that would mean improving transport links and reducing congestion between the East and the West of the borough which would involve the collaboration between a range of different government agencies at the local and regional level. This, however, would run into problems of policy co-ordination between different levels of government. More generally, a focus on the sub-regional or regional level would need to take into account a larger number of partners operating at that level and below at the local level. Some of the issues of joining up action between levels have been discussed in this thesis and represent a long-standing issue for the UK policy-making environment.

Different types of intervention need different spatial scales of involvement of the public sector. In line with most of the literature on clusters, public sector intervention related to cluster should take place at the sub-regional/regional level to secure consistency with the regional agenda of the RDAs towards competitiveness. Yet, co-ordination with other levels needs to be guaranteed, if a meaningful impact on concentrated pockets of deprivation is to be secured.

This is, however, difficult to achieve because of the important tensions between the local and regional level of policy making. In this context, it is important to remember that the six clusters in the CGS were selected according to priorities including policy orientation, the presence of an existing infrastructure and other reasons that would enable these sectors to respond more effectively to the CGS. The reasons that led to the prioritisation of some clusters over others reflects the

tension that exists between the priorities of public sector institutions at the regional/national level, tending to pursue a competitiveness agenda, and the local level, which needs to mediate this agenda with other wider social and community objectives such as the safeguarding of certain industries, the creation of local employment opportunities, and the prioritisation of public sector funding allocation to some key sectors (such as ICT).

### **9.3 Private sector engagement**

The second major question addressed by this study was the extent to which effective private sector involvement and engagement might be achieved under current governance arrangements. This was an important question to ask particularly in the context of the CGS which was initially conceived to provide a dominant role for the private sector within the partnership arrangement. It was a significantly different approach in relation to other policies promoted by New Labour governments and prior to that (e.g. SRB and CC) which attempted to provide a much more balanced actors' representation focussing on the community and the voluntary sectors where the private sector often played a limited role. An additional reason for the interest in the leading role of the private sector in the CGS relates to its close resemblance to neo-liberalist approaches promoted by the Conservatives in the 1980s. Could, then, the CGS sign a step back to the 1980s? In terms of private sector engagement, in practice the answer is no. The extent of involvement and engagement of the private sector was weak in financial terms in both case study areas. If the extent of private sector involvement is measured according to other criteria such as their ability to shape the outcome of policy debates taking place within the partnership, then the City Fringe does present some interesting evidence of this. In order to provide a more comprehensive model of private sector involvement, the experience of the CGS is discussed further in relation to previous policy approaches in section 9.3.2.

#### **9.3.1 The nature of the shift from government to governance**

The elements that symbolise a shift from government to governance are varied. The study has collected a variety of evidence to assess the extent to which the CGS represents a shift towards a governance arrangement characterised by greater local

autonomy, the involvement of a multitude of actors (crucially the private sector) and an associated focus on enabling these actors to have a voice in the policy making process.

The evidence from this study demonstrates the importance of the structure of the central state over the importance of local networks in terms of imposing priorities on the ground. The decisional autonomy of the local state is severely restricted by the priorities and funding regimes imposed by upper tiers of government. Both CGS areas had in practice little autonomy to set their own agenda and had to contend with the priorities designed by upper levels of government, and in particular from the LDA. This particular evidence supports the conceptual attention of Regulation Theory towards the structure of the state, and runs against the policy network approach which holds that the old dichotomy between central and local government does not apply any longer (Sullivan and Skelcher, 2002). If the shift from government to governance implies a greater local autonomy, this has not happened in the case of the CGS.

In contrast, the need for public sector agencies to bend resources from other actors could be taken as an indication of a shift towards governance arrangement where the interdependence between different agencies in financial terms provides the link needed to develop and implement urban policies. However, this presupposes that all actors involved possess some financial resources to bring to the table. As mentioned, this has not occurred in the CGS where funding was levied through partnerships rather than made available from central government via the LDA.

In addition, the shift from government to governance implies a greater involvement of quangos, and a multitude of actors which should supposedly have more power and voice over the development of policies. The evidence from this study showed that this has been limited in the two CGS areas. In both the CGS areas studied, the public sector took the lead in terms of the development, funding, and management of the strategy. The public sector maintained the ultimate decision-making power and was by far the most significant funding body. Overall, the involvement of the private sector in shaping policy making was limited. The partial success in taking on board the needs of local businesses in the jewellery

sector in the City Fringe does not represent the experience of the City Fringe CGS as a whole, but only an isolated example.

An additional element describing the shift from government to governance is the inclusion of a number of different public agencies for joined up action at the local level. As discussed, however, the limited availability of funding constrained the ability of both CGS areas (but especially Haringey) to lever in additional resources from other partners and to secure greater joined up action at the local level. This suggests that a feature of governance arrangements has been the lack of co-ordination between public sector agencies. This evidence reveals that the study of the structures of the state needs to remain a focus of research both conceptually and empirically, combining insights from political economy approaches with those from policy network analysis.

### **9.3.2 Forms of private sector involvement and engagement**

In terms of the relationship between the CGS and previous policy measures for deprived urban areas, the CGS confirms that, with the exception of the experience of the jewellery industry, private sector involvement has been in line with past policies such as the SRB. Generalising from the experiences of private sector engagement in the two case study areas and including evidence from previous government programmes, it is possible to represent private sector engagement along a continuum. This ranges from a 'tokenistic' or symbolic engagement through to a substantial financial and/or staff commitment, which perhaps reflects the highest degree of private sector involvement (fig. 9.1). It is important to stress here that this discussion does not take into account of the reasons underlying business involvement which play an important role in defining the extent of commitment. However, it does highlight the various forms under which the private sector has been involved in partnership arrangements both in the past and in the CGS examples studied here.

In the case studies, 'tokenistic' engagement is evident in the experience of business engagement in Haringey CGS, where, overall, the involvement of the private sector was secured to guarantee CGS funding rather than for any interest in promoting a



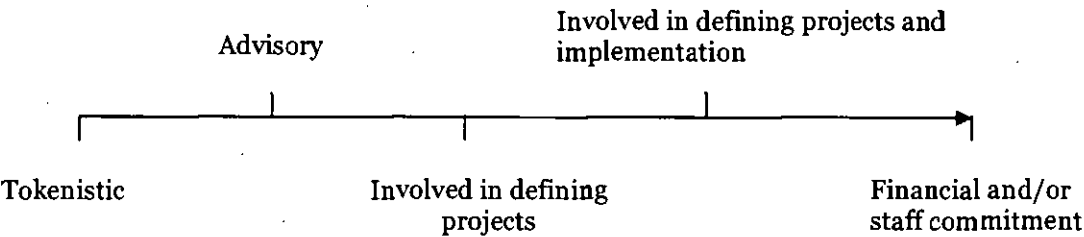
private sector-led strategy. Thus, in this case the effective presence of the private sector has gone largely unnoticed. In this context, Harding et al (2000: 982) argued that although empirical evidence on businesses involvement in SRB and CC is poor, there is much anecdotal evidence that shows that this might be ‘more symbolic than substantive’, and they explain it by considering that:

‘Private sector supporters – often the ‘usual suspects’ involved in a range of other civic and regeneration initiatives – help bidding authorities to tick a number of important boxes when applying for funds, but they can quickly become sleeping partners once bids are successful’.

A second stage can be represented by private sector involvement as ‘adviser’ to the partnership. In this case, involvement is greater than in the previous stage as the private sector is asked to provide its opinion and views in relation to policies. However, it does not play a role in setting the agenda which is typically set by the public sector.

A third level of engagement is characterised by a process starting with the identification of needs from the private sector and the prioritisation of such needs from the public sector. This was the case, for instance, in the Print and Publishing CAG which was characterised by a strong private sector input in setting the types of interventions in that sector.

Figure 9-1: Forms of private sector involvement on partnerships



Source: author

An even stronger level of engagement of the private sector is exemplified by the case of the Jewellery cluster. In this case, the private sector was communicating its needs to the public sector but went further by assisting in the process of implementation of such projects. This culminated in the establishment of the New

London Group which had responsibility to oversee this process and make recommendations in terms of the suitability of projects to private sector companies.

Finally, at the furthest extreme of the continuum is the situation in which the private sector makes a financial and staff commitment (fig.9.1). This shows the willingness of the private sector to risk its resources which demonstrates its commitment to achieving a positive outcome for the projects proposed. In addition, it also recognises the high level of engagement of the private sector which in most cases has contributed to develop such projects. As one respondent pointed out:

*It is only when businesses can see what that return would be that they will actually take the plunge (SBS official)*

In addition, the commitment of the private sector is evidence of trust in the nature and development of the projects which also might create the basis for a more sustainable partnership over time.

However, to date, there has been little substantive financial commitment of resources. The experience of the jewellery sector in Hatton Garden appeared to be the closest, but it is not possible to infer the extent to which financial commitment from the private sector will eventually take place as the implementation of some initiatives has not yet occurred.

In attempting to generalise the experience of private sector engagement within the CGS to wider processes of governance change, it can be concluded that the shift towards neo-liberal approaches highlighted by a number of scholars in the literature (most recently Leitner et al, 2007) is not supported by the evidence from the CGS case studies examined here. The experience of the two case studies supports a rather more complex and transitional picture, whereby greater prominence is given to private sector engagement. But the forms of this, in practice, remain limited primarily to mild levels of engagement, albeit with variability between places and sectors.

### **9.3.3 Barriers to the effective engagement of the private sector**

Government's discussions of public-private partnerships often tend to identify the private sector as an 'homogenous' group that can easily be mobilised for the economic development of deprived urban areas. However, as discussed in chapter three, doubts over this viewpoint have been raised by a number of scholars particularly in relation to the variety of business interests pursued by companies and individuals (Peck, 1995; Harding et al, 2000; Morfey, 1999).

The evidence from this study confirms this point. The degree of business involvement was found to be strictly dependent upon the drivers of private and public sector engagement realised within particular localised contexts. Businesses were primarily driven by short-term profit maximisation as a rationale for their participation in the CGS. However, there were some notable exceptions to this as some businesses pursued a variety of objectives reflecting their concern for their locality, industry, or a wider concern for their own ethnic minority community. In contrast, a few businesses did not pursue their own narrow agenda, but attended partnership meetings only to represent an external organisation. A business in Haringey, for instance, acted as a representative of the local strategic partnership with its main function to report back the outcome of CGS meetings.

An important first finding of this analysis is that business agendas are varied and complex. Managing organisations followed different ways to recruit private sector companies, but these did not include an attempt to understand the motivations for business involvement. Greater care in identifying and selecting business individuals would prove to be beneficial for the likelihood of success of public-private partnerships.

However, on the whole, the pursuit of short-term profit can be considered both a barrier and opportunity to effective engagement of the private sector. It can be considered as a barrier, if the private sector is left to set the direction of the partnership. In this case, there is a danger that the private sector will use public resources to further its own narrow interests. However, it can be seen as an opportunity where the projects proposed meet the needs of both public and private sector. The case of the creation of the jewellery visitor centre in the City Fringe

could be seen in this light. The creation of a jewellery visitor centre met the needs of the industry in terms of providing a useful place to promote jewellery goods, but it also provided training and incubation space which were important policy targets of public sector agencies. In this sense, the jewellery visitor centre provided an ideological as well as a physical space in which public and private sector interests were able to converge.

In pointing out this opportunity of convergence between public and private sector interests, it is also important to highlight its limits. Evidence from the study showed that the private and public sectors often have different priorities and agendas. Conceptual notions of partnership discussed in relation to Urban Regime Theory point to the importance of trust and longevity and the associated lower transaction costs that derive from it. However, evidence from this study demonstrates that the development of long-term trust is a rather difficult proposition to put into practice in the UK context. The private sector is often impatient for short-term results, and public sector agencies' action is limited by the short-term allocation of funding and the need to secure 'quick wins'.

These problems are also compounded by the misunderstanding and expectations of the contribution of each actor (public or private). One particular problem is the difficulties that the private sector faces in understanding the complexities of public sector mechanisms. The private sector is often not aware or does not understand public sector funding regimes, and policy priorities. This points to the need for the public sector agencies to spend considerable amounts of time and resources at the outset of the initiative to explain to private sector individuals the context in which it is operating.

Many of these issues were recognised by a recent review of sub-national economic development published by the Treasury (HM Treasury, 2007a). The review particularly noted the lack of clarity in relation to the bodies responsible for allocating resources and those responsible for decision making processes, the speed of development of strategies, the lack of flexibility, and the lack of certainty and continuity in public sector commitment towards deprived areas. There are, however, more fundamental concerns in relation to the relationship between

public and private sectors. In particular, there is a need to recognise the needs of businesses rather than relying on the public sector to 'second-guess' what businesses might need. Secondly, there needs to be a clearer understanding of the variety of private sector agendas which is crucial in maximising the positive contribution of the private sector and helping to understand what types of strategies and initiatives businesses are more likely to be committed to not just over a short but, perhaps, most importantly over the long-term.

In explaining some of the key barriers to the engagement of the private sector, it is important to remember that the CGS was originally transferred from the US, and this is particularly important in a context of increasing US-UK policy transfer. A lesson that emerges clearly from respondents that have had the opportunity to visit the CGS in the US is the different attitudes of businesses and the substantial administrative difference that characterises the two countries. The most striking is perhaps the cultural attitude of the private sector which is more engaged in policy making in the US, partly because of a weaker welfare system. In addition, in the US, the considerable involvement of large companies and their financial contribution has helped to protect and develop strategies with limited involvement of the public sector.

#### **9.4 Promoting private sector engagement: models for policy development**

The final issue that the research addressed was the extent to which the priorities of the public and private sectors can be combined in order to maximise economic development outcomes. Previous chapters clarified that the relationship between public and private sectors in the CGS was characterised by a range of problems including the different structures and cultural environments of the two sectors. Drawing on the experience of this study, the following section examines how the priorities of the public and private sectors might facilitate or hinder the selection and implementation of local economic development tools. An outcome of this analysis is that only some local economic development tools meet the priorities of the public and private sectors, therefore a governance model based on public-private partnerships is likely to lead to the development of some growth paths precluding others.

#### **9.4.1 LED tools and private sector involvement**

Combining private sector involvement with the priorities of public sector institutions at the local and regional levels is problematic. As highlighted by the analysis of public-private differences in organisational structures and cultural environments, this is particularly true in the long-term. The different view of reality that drives public and private sector objectives is a particular constraint. In addition, policy priorities are characterised by rapid changes of direction with important consequences for the amount and continuity of funding available for economic regeneration. However, the study demonstrated that some specific opportunities for collaboration between the public and private sectors are possible. These depended upon the reasons for commitment, and the agendas of both sides. The study identified three types of business agendas. Firstly, the predominance in both case study areas of a 'narrow business agenda' driven by short-term profit maximisation. Secondly, a set of 'generic business interests' led by medium term, generalised reciprocity and political influence. Thirdly, interest in a 'wider public good' which was characterised by some businesses' long term concerns about social problems, and an attachment to place. This was particularly evident in the case of the jewellery industry in the City Fringe.

Within the partnership context, public and private sector agendas need to find a 'common space' in which they can meet. But, in practice, the likelihood of this happening depends upon the ability of the public sector to put in place a range of practical measures that would fulfil the short or long term expectations of the private sector and, at the same time, pursue its own objectives. All companies and individuals are driven by some form of cost/benefit analysis in deciding whether to become involved in a partnership or not. It is important to stress that costs and benefits do not need to be intended as driven by pecuniary considerations. Companies might look at their return in terms of profit, but as discussed, costs and benefits might accrue in other forms (e.g. political influence, social consciousness). Companies have the tendency to become involved and maintain engagement when the costs are low in relation to the expected benefits.

Table 9.1 discusses the extent to which various tools put forward at the local level impact on the chances of involvement of the private sector over time. The analysis does not only draw upon evidence from this study, but attempts to incorporate evidence from the wider literature.

The development of **networks** between companies is particularly important in the context of the notion of cluster where the collaboration between businesses at the same level of the supply chain, or alongside it, can provide significant opportunities for local economic growth. The analysis of CGS documents demonstrated that the intention of public sector agencies to pursue networking relationships was framed with this particular idea of collaboration in mind. Typically, the public sector needs to commit a considerable amount of resources in terms of staff, funding and time to maximise the chance of success of these types of initiatives (Raines, 2001). However, in practice, public sector agencies committed only very limited resources with the result that networking relationships were confined to the simple organisation of networking events in the form of a meeting space for local businesses. This was seen as satisfying the needs of businesses that pursued a 'narrow business agenda' as they saw such events as an opportunity to increase referrals or to access public procurement contracts. The organisation of such events ensures involvement of the private sector only in the short-term as the specific lack of commitment from the public sector leads to a lack of interest from the private sector. In addition, once the private sector assessed the opportunity to increase its profit, the measure lost its value as a tool to improve private sector involvement. There is, therefore, a need to either pursue a more structured set of networking measures focussed on a specific collaborative opportunity identified and supported by a number of local businesses or to move on to a different measure that might maintain private sector interest in the partnership process.

**Local procurement** provides significant return on investment to companies involved as they can secure contracts (mostly long-term) with local public sector organisations, hence there is a likelihood to be engaged long-term to realise such opportunities. This in turn meets some of the targets of public sector agencies in terms of creating local job opportunities and enhancing the local multiplier effect. Moreover, as accessing public sector contracts is often conditional upon the

companies' compliance with a wide range of regulatory requirements, local procurement provides the opportunity to raise the general standard of business practices across a geographical area.

**Physical and transport infrastructure** provision can also be very successful in attracting private sector companies because the considerable long-term reward can have a direct impact on the company concerned in terms of improvement in their operating environment, cost reductions (e.g. from better transport infrastructure) and the increase of land values. In this case, the cost for businesses can be high (attending meetings for a number of years), but benefits are also considerable. The creation of a physical infrastructure (i.e. a jewellery visitor centre) in Hatton Garden was also seen by businesses involved as an opportunity for long-term development of the industry, albeit at the cost of prolonged negotiations with the public sector over a number of years. The role of physical redevelopment in securing private sector involvement has also been a strong feature of urban policy since the 1980s. In this context, the experience of the UDCs has shown that it is possible to create considerable private sector engagement, but this is strictly and directly related to the economic benefits that can accrue from such involvement and can be largely constrained to a particular type of private sector interest (e.g. property developers).

Businesses driven by a 'narrow business agenda' are likely to be interested in **business support** measures as these provide direct benefits to the companies involved. Generally, the extent of participation of the private sector depends upon the type of business support measure proposed and the extent to which this responds to the needs of businesses. The evidence collected as part of this study revealed that often business support services do not meet the needs of companies. This is confirmed by a number of studies and is at the root of recent changes in the management of business support service delivery across the UK. On the other hand, public sector agencies have a strong interest in delivering business support as it helps them to meet a number of targets. It improves the number of start ups, and potentially enhances the competitiveness of such businesses by addressing their needs or encouraging them to be engaged in process and/or product innovation.



Public sector agencies can maximise private sector participation by tailoring support to needs manifested by businesses.

**Workspace and incubators** clearly meet businesses needs in terms of providing space for business activity. They respond to public sector targets in terms of increasing business start up rates and retention and potentially encourage networking relationships between businesses located next to each other. However, they have a varied impact on business involvement depending on the motivation of businesses. Where businesses are driven by a narrow business interest and are not directly interested in finding premises, then the provision of space will not affect them and participation will be limited. However, businesses that are driven by concerns with the wider industry and social issues in the locality do recognise the importance of workspace and incubators and are likely to be committed to such initiatives.

Table 9-1: LED tools for private sector involvement and retention

	<b>Private sector priorities</b>	<b>Public sector priorities</b>	<b>Time-horizon of private sector involvement</b>
<b>Local economic development tools</b>			
<b>Networking</b>	Short-term profit maximisation of private sector (e.g. opportunities for referrals) Network of people of good will	Business growth, stimulation of supply chain, joint purchasing, stimulation of product and process innovation	Gap between public and private sector expectations. Private sector involvement is likely to be short-term
<b>Local procurement</b>	It meets profit-seeking behaviour of companies. Interest from companies in different sectors examined (e.g. ICT, printing and publishing)	Stimulation of a multiplier effect and the growth of the existing business base as well as raising standard of businesses	Likely to lead to business involvement long-term given the important final benefits accruing to businesses.
<b>Physical infrastructure</b>	It meets profit-seeking behaviour of companies alongside long term growth of the industry (e.g. JVC)	Training and incubation facilities	Likely to lead to long-term commitment because of the greater long-term benefits
<b>Transport infrastructure</b>	Interested in shaping transport infrastructure reflecting the frustration with transport congestion in some parts of London	Important priority for the public sector but requiring the co-ordination of different levels of government and the investment of considerable public sector resources	Interest of the private sector might be long-term
<b>Business support</b>	Interest from businesses varies with type of business report provided but generally problems have been found	Priority for public sector in order to contribute to promoting business start-ups and growth including greater survival rates.	Short-term
<b>Workspace and incubators</b>	Generally recognised as important but no directly concerning businesses involved in partnerships	Important to minimise the effect of mismatch between supply and demand of premises.	Involvement of the private sector is only short-term. it is not likely to improve business involvement unless businesses are directly interested
<b>Aspects of the business environment</b>	Business very interested in specific aspects of business environment (e.g. BIDs)	Public sector partly interested in these, but difficult as it requires joint work within local authorities	Potentially long-term
<b>Workforce training</b>	Some businesses recognise their skills shortages in the local labour market and acted upon it	Public sector interested in order to create employment opportunities	Long-term interest if it addresses specific skills needs of a number of companies

Source: author

The **improvement of the business environment** is of significant interest to businesses. The success of the Business Improvement Districts (BIDs), particularly outside the UK shows that businesses are likely to commit time and resources when they see a direct benefit accruing from joining in particular economic development measures. Despite this, public sector agencies in the CGS have displayed little interest in the issues proposed by businesses in the areas of parking, and traffic congestion. This was because these changes do not directly meet the target of the public sector agencies involved and require a lengthy process of liaison with council departments responsible for planning.

Involvement of the private sector might be improved through the provision of **workforce training** schemes. Participation is, however, dependent upon the extent to which such training fulfils a specific gap in the companies' skills base. As discussed, a key issue for deprived urban areas is the gap between the types of jobs on offer and the nature of training provided for local residents. Training has often been provided with little consideration of business skills' needs. The experience of the CGS showed that when workforce training directly meets the needs of a number of companies, engagement can be longer-term.

Thus, in devising an economic development strategy that places at its core the engagement of the private sector, public sector agencies need to be aware that some initiatives are more likely than others to spur private sector engagement.

### **9.5 Policy evaluation approaches: lessons from the CGS**

This section provides some reflections on the approach to evaluation adopted for this study and its relevance for the wider debate on policy evaluation approaches in the UK. Recent urban policy evaluations focus on the analysis of outputs on the basis that policy evaluation should assess whether a programme has generated 'value for money' (Ho, 1999). Major evaluation studies have followed this approach including the Urban Development Corporations, Enterprise Zones, City Challenge and the Single Regeneration Budget (Rhodes et al, 2005). Although this type of evaluation is important, it does not necessarily address the problem of what changes need to be made for improving the policy making process and its outcomes.

The thesis has taken a different standpoint based upon the evaluation of processes rather than outputs. In particular, the thesis discussed the tensions in translating Porter's visions and associated policies into practice, and examined the relationship between the private and public sectors within partnership arrangements. Emphasis has been placed upon understanding the historical, political and economic context in which public and private sector actors operate and the agendas and mechanisms driving their actions. This particular orientation in understanding the process of policy making is important in the context of criticisms to policy evaluation studies of a number of urban programmes such as CC in the UK (Ho, 1999) and more recently of EU regional policy (Hart, 2007). These tend to focus the attention on useful insights from realistic evaluation approaches (Pawson and Tilley, 1997) which are rooted in critical realism and tend to focus on explaining 'how things happen' (Hart, 2007) rather than just assessing what has happened. This does not mean that approaches to evaluation based on quantitative studies should be abandoned, but that approaches based on evaluating outputs and value for money should be complemented by qualitative approaches based on realistic evaluation.

Realistic evaluation approaches share some important similarities with the implementation approach followed by this study, particularly in relation to the notion that the interrelationship between mechanism and context determines outcome (Pawson and Tilley, 1997). In this study, the context in which the CGS developed has been shown as an important factor leading to successful experiences in some areas/sectors and failure in others. For example, the presence of a partnership between private and public sectors in the jewellery industry in Hatton Garden prior to the introduction of the CGS shows the importance of looking at context in assessing the criteria that make an initiative successful. This relationship provided a more stable and immediate mechanism for change in the area.

In addition, the examination of context is important in order to establish the different characteristics of each case study area which often show significant variability even when situated in close spatial proximity (O'Reilly, 2007; Ho, 1999).

The cost differentials in terms of premises, and the specific nature of the local economies determines the nature of the opportunities available in each area in terms of job creation, and the development of specific business activities. Haringey and the City Fringe presented different opportunities in terms of their development: Haringey's local economy is characterised by business activities that take advantage of central London as a market but also offer opportunities in terms of the presence of a large retail base that serves the needs of local residents. The same does not apply to the City Fringe which is dependent upon central London and the City in particular for the creation of employment and business opportunities.

Parallels between this research and realistic evaluation can also be found in the examination of 'mechanisms'. The focus on uncovering the views amongst different stakeholders represents an attempt to understand the mechanisms that determine the outcome of the policy process. This study demonstrated that public sector agencies operating at the local level held different views in relation to the economic and social profile of the case study areas, and the resulting strategies and measures to be deployed to tackle economic and social issues. As a result, it seems difficult to understand how a policy can really be successful in an environment frequently characterised by different views between actors operating within and across different levels of government.

An important argument for the adoption of realistic evaluation is the need to examine the outcomes of policy programmes. This refers to the limited focus of current evaluation studies upon providing a measure of 'who benefits' from economic development and regeneration programmes. Although this study has not been focussing on measuring the extent of job creation and retention, it has become clear from interviews that there is an important lack of information about the extent to which local residents can access local job opportunities and what groups might benefit from such employment creation.

A further similarity between the approach deployed by this study and realistic evaluation is the emphasis on assessing what would have happened if the policy had not been introduced (Rhodes et al, 2005). The question is particularly

important in order to assess policy impact and has been a feature of policy evaluation for some time. This study experienced major problems in assessing what would have happened if the CGS had not been introduced. These problems related primarily to the issue that the fragmentation of governance arrangements makes it increasingly difficult to isolate the impact of the CGS from the impact of other programmes, particularly when evaluation is examined at the project level. Thus, CGS was recognised by interviewees as adding value in terms of enhancing the collaboration between the private and public sectors, and as a programme providing some resources and a certain view of change for the areas concerned. However, when interviewees were probed on whether the CGS helped with the introduction of certain projects (e.g. training, business development etc), the response was frustrated by the assimilation under the CGS of projects that were either pre-existing or 'borrowed' from other government programmes. Additional problems were also caused by assessing the contribution of the CGS versus pre-existing relationships between the private and the public sectors, particularly in the context of the jewellery cluster in the City Fringe.

A final problem highlighted by the evaluation literature is the limited extent of learning from previous policy evaluation studies. For example, Ho (1999) showed that the introduction of the CC, SRB and the NDC did not occur after the publication of evaluation studies of previous programmes, but some time before. These concerns have also been discussed in the interim evaluation of the NDC (CRESR, 2005) and have also emerged in relation to the CGS. In particular, a number of interviewees pointed out the limited consultation between CGS pilot phase one and two across London and nationally in order to share examples of good practice.

## **9.6 Future research**

This research has highlighted a number of important issues for further research but three appear particularly important.

*Spatial levels of intervention:* one of the key problems highlighted in this study is to find the appropriate spatial dimension for different types of interventions. Thus,

it has been argued that if competitiveness and the associated notion of cluster is to be organised effectively, policy design should focus on the regional, sub-regional spatial level. However, as deprivation is mainly found at neighbourhood level, local area based policies have been developed to tackle the problem at that level. There is here therefore a significant issue of scale between the notion of cluster and the spatial concentration of deprivation. In this context, the sub-regional level becomes an important focus of research study for a variety of reasons: firstly, the study highlighted the importance of sub-regional labour markets in order to link deprived residents to available job opportunities outside their locality. In this context, potential for future research should investigate more clearly the importance of the sub-regional level. The importance of analysing the sub-regional level is particularly important as it is at this level that Travel to Work Areas can be identified and labour market dynamics occur (North et al, 2007). Secondly, other documents commissioned by government departments point to the interest toward the sub-regional level more generally and highlight the importance of recent government action towards multi-area agreements (HM Treasury, 2007a). Thirdly, despite the interest of the government towards this level of policy action, there remains limited understanding of the sub-regional landscape and how that influences policy making as a whole. Fourthly, at the more theoretical level, the examination of the sub-regional level could add analytical insights to the current understanding of the development towards governance and inform regulation and urban regime theories. However, in undertaking such analysis, it is important to bear in mind the influence of the central state in determining the development of the sub-regional level of policy making. Often, the shift towards governance arrangements has been explained by 'reference to the internationalisation of policy regimes' (in the case of urban regime theory) or the 'heightened strategic significance of the global economic context' (in the case of institutionalist approaches)' (MacLeod and Goodwin, 1999:515). Thus, economic and political explanations of a shift towards governance and state relations at different spatial scales have taken precedence over others. In this context, the strategic-relational approach developed by Jessop (1995) has been indicated as overcoming some of the difficulties encountered by the approaches mentioned above as it introduces a 'social' dimension in analysing the influence of the central state over other spatial levels of policy making. This approach considers relationships between various

levels of state organisation as influenced by social relations rather than just political and economic agendas. This would enable more theoretical development towards a greater understanding of state functioning at different spatial scales.

*Linking deprived people to opportunities:* Another key theme that has received substantial attention in the thesis is the need for private sector-led approaches to balance economic growth with the creation of local job opportunities. It has been argued that these types of policies are unlikely to help with creating job opportunities for those that are facing the greatest challenges to employment as these policy approaches predominantly focus on economic growth rather than the creation of job opportunities for local residents. In relation to this, the only systematic response from participants was the pursuit of demand-led training strategies. Such strategies have the merit of attempting to bridge local information gaps in supply and demand of labour, and also move away from the skills mismatch discourse of blaming the victims towards wider explanations of labour market problems which include the demand-side. However, demand-led training is affected by a number of problems (Spoonley, 2008; Devins and Hogart, 2005; Gore, 2005). These contributions share an emphasis towards the need to analyse employers' recruitment processes, retention and internal development practices as a way to understand the effectiveness of demand-led training as an approach to tackle problems between supply and demand in the local labour market. Gore (2005) concludes that most demand-led training schemes have been 'less about improving employability than meeting employers' short-term labour needs' (p. 341). A successive step in the research should focus on identifying who within the range of disadvantaged people actually benefit from demand-led training schemes. Are these groups close or far from the labour market? This would be particularly important in the context of recent government policy plans concerning the creation an 80% employment rate in the UK which would involve tackling some of the most deeply rooted causes of unemployment in urban deprived areas (HM Treasury, 2007).

An alternative to demand-led training approaches discussed in the thesis is the need to place more attention on the links between people in disadvantaged areas and the wider labour markets. In research terms, the problem seems to be a lack of



attention on understanding the reasons that restrict the mobility of people living in deprived urban areas. Some research on disadvantaged young people in Belfast (Green et al 2005) concluded that a number of factors - social, economic and including religion - contribute to small employment fields and therefore would undermine attempts to widening labour markets for deprived urban residents. However, this particular research could be undertaken for different types of disadvantaged groups (e.g. single mothers, people with disabilities etc) to understand more about the barriers to commuting outside the area and to extent to which these could be overcome. As suggested in the previous discussions, this would be particularly useful as most employment opportunities for unskilled workers seem to be available in suburban areas of the capital (e.g. Stansted Corridor, Heathrow airport). Given the difficulties in accessing some of these groups for research, a methodology based on contacting specific intermediary organisations (e.g. ethnic specific and women organisations) should be used.

*Business engagement:* This study demonstrated that the pursuit of a business interest from businesses participants to the study is not based solely on the need to maximise profit. Some businesses demonstrated a desire to pursue parallel agendas which had something to do with their own industries, the locality or the attention towards their own ethnic groups. This reflects not just the business as such but also the nature of individuals that work in such businesses and their life outside work which includes a range of social, cultural, and ethical attitudes that go far beyond just considerations of profit maximisation and narrow self-interest. In order to design coherent economic development strategies and involve the private sector more effectively, further investigation is warranted on this issue to develop a more comprehensive and nuanced understanding of private sector engagement. This research indicated that private sector engagement varies according to area, sector, size, and national cultural characteristics. Future studies of private sector engagement need to recognise this particular lack of homogeneity in the private sector in order to explain more appropriately the processes of public-private partnership working.

As others have recognised (Valler et al. 2000; Harding et al, 2000), the account of private sector involvement should draw upon more 'social' perspectives that tend

to explain private sector involvement as a social interest. This would enable the research to identify the 'complex subjectivities of actors' (Valler et al. 2000: 425). An additional and somewhat more specific direction for research should explore the relationship between the construction of the identity of business individuals and the locality in which they operate. As this study highlighted, when such relationship is particularly strong, business involvement and engagement is significantly more effective.

## **APPENDIX A: Public sector interview schedule**

### **1 CLUSTER IDENTIFICATION AND SELECTION**

#### **1.1 Origins of CGS**

- 1.1.1** How has impacted the advice of ICIC on the way you have developed the CGS?
- 1.1.2** Do you think that ICIC advice differs significantly from theories of competitiveness introduced by Porter?
- 1.1.3** What are advantages and disadvantages of ICIC contacts and the model?

#### **1.2 Cluster identification (how far is it possible to talk about a cluster in practise?)**

- 1.2.1** What tools have been used to identify the cluster? (to find out about the empirical issues behind measuring a cluster)
- 1.2.2** Analysis of domestic importance of the cluster such as employment, turnover, export share, growth potential
- 1.2.3** What were the actors involved in identifying the range of clusters to target?
- 1.2.4** Were there some common (to businesses in the cluster) competitive advantages identified that are unique to the territory? (e.g. the presence of research excellence, the presence of a labour market of specialised skills, etc.)
- 1.2.5** How has the concept of cluster been explained to businesses?
- 1.2.6** What problems have you met in conveying the concept of cluster to businesses? (e.g. what do they think about networking)

### **2 IDENTIFYING THE MAIN CLUSTER AGENTS AND THEIR ROLES**

#### **2.1 Aims and objectives of the programme**

- 2.1.1** What are the objectives for the CGS in your area?
- 2.1.2** Have they changed since inception of the programme?
- 2.1.3** What is the current structure of the CGS board at the moment? Has it changed over time? Why?
- 2.1.4** Was there a sector policy before the introduction of the CGS supporting businesses?
- 2.1.5** What about skills and business support needs? What are your priorities for the development of skills and business support needs for the cluster/sector in your area?

2.1.6 One of key elements of the CGS is the emphasis on opportunity rather than needs. In what sense has there been a shift in thinking about deprived urban areas in your locality?

2.2 Private sector involvement

2.2.1 How were private sector members selected to form part of the CGS?

2.2.2 Are these new or old members of the CGS? (i.e. were these businesses involved in other regeneration initiatives before?)

2.3 Commitment to the development of the cluster

2.3.1 How much time do you dedicate to the cluster in relation to other commitments (hours per month?; chunks of time)?

2.3.2 Has your involvement in the CGS changed since the beginning? (more active, less active, different role etc) and why?

3 RELATIONSHIPS BETWEEN AGENTS

3.1 Relationship between public and private sector

3.1.1 Number of linkages

- a) What are the characteristics of the businesses you interact more closely with?
- b) What is the frequency of these interactions? (e.g. contacts per month)
- c) Has the number of interactions with businesses increased since the start of the programme? Why?

3.1.2 Quality of linkages

- a) Has the cooperation with businesses led to a smoother delivery of projects? Or perhaps different types of projects (public agencies would have not planned)?
- b) Did the policy increase the value of collective behaviour for firms within the cluster?
- c) Are there issues of 'trust' between private and public sector that in some ways hamper the full exploitation of partnership arrangements?

3.1.3 Bargaining process between public and private sector

- a) In your view, do the objectives of the private and public sector differ in terms of finding a common ground for the development of the CGS?
- b) What are the 'bargaining' processes or otherwise that enable public and private sector to achieve a common set of priorities and objectives?

3.2 Relationships between public agencies

(probe in relation to ways of working, time-scale, objectives, resources available)

3.2.1 What other public agencies do you interact more closely with?

3.2.2 Has your interaction with other public agencies changed over time?

3.2.3 Has the CGS modified your relationship with local partnerships?

3.2.4 Has the CGS changed anything in terms of the relationship with other agencies and the private sector? If yes, in what ways?

3.2.3 In relation to upper tiers

- a) What is the relationship with upper tiers of government such as the LDA, SBS etc?
- b) Does your organisation collaborate with the LDA in various other activities beyond the CGS?
- c) Were you given clear indicators on which to measure the success of the CGS? (i.e. jobs created (locally or otherwise), number of business supported, etc)

### 3.2.4 In relation to same level agencies

- a) What is your relationship with other public agencies at the local level?
- b) How do you find common objectives and pull resources together?

### 3.2.5 In relation to lower tiers

- a) Has the CGS been effective in building relationships with delivery organisations?
- b) Were there organisations that have been operative for a number of years that are responsible for delivering CGS projects?
- c) What is your relationship with local authorities in terms of the CGS?
- d) How do local authorities collaborate with each other? Are there tensions in terms of delivering the CGS?

### 3.2.6 In relation to other and/or older partners

- a) Has the CGS been successful in building stronger relationships with other older or new local economic development partners?

## 4 POLICY IMPLEMENTATION

### 4.1 What are the progresses made by the pilot to date?

#### 4.2 Project delivery

- 4.2.1 How do you balance the spatial scale of the cluster with the wide geographical and political areas covered by your administrative area?
- 4.2.2 Is there a danger of 'duplicating' efforts with other spatial policies looking at urban regeneration?
- 4.2.3 How would you measure the success of the pilot?
- 4.2.4 Did the policy increase the value of collective behaviour for firms within the cluster?

#### 4.3 Private sector involvement

- 4.3.1 Is there any sign that businesses are willing to take charge for the development of CG projects?
- 4.3.2 Has the number of business involved in the cluster increased since the beginning? In what capacity were new businesses involved?

4.3.3 To what extent are the members aware of a cluster-wide collective, as defined by their individual networking behaviour?

4.3.4 In your view, how do the interests of private sector actors blend with one another? Is there a common vision for the sector/cluster amongst businesses?

4.4 Funding

4.4.1 What was the funding commitment from the LDA towards the CGS?

4.4.2 How was it used? (e.g. to pay staff etc)

## 5 IMPACT OF PROJECTS

5.1 What has changed as a result of the introduction of the CGS in terms of creation of competitive advantage?

5.2 How do initiatives developed reflect the involvement and, perhaps, the lead of the private sector? (i.e. any new characteristics can be seen in the types of projects developed?)

5.3 Have the projects developed benefited the businesses in the cluster as a whole or just the businesses involved in the CGS?

5.4 Did you target interventions to specific groups (e.g. BME owned businesses, female entrepreneurs, small firms?)?

## **APPENDIX B: Private sector interview schedule**

### **1 BUSINESS DETAILS**

1.1 Brief details about the nature of the business

1.2 Description of sector of activity

1.3 How do you position yourself within the cluster?

1.4 Total number of employees (ft+pt)

1.5 When was your business established

1.6 How long has your business been operating in this area?

1.7 What percentage of your workforce lives:

	Workforce
In this ward	
Locally (within 10 miles radius)	
Other parts of London	

1.8 What proportion of your sales comes from

	Market
In this ward	
Locally (within 10 miles radius)	
Other parts of London	
Nationally	
Internationally	

1.9 Are your main competitors located

	Competitors
In this ward	
Locally (within 10 miles radius)	
Other parts of London	
Nationally	
Internationally	

1.10 Who are the largest local players in your cluster/sector?

1.11 Do you participate to other boards locally?

### **2 THE CGS AND CLUSTER**

2.1 What is your understanding of the 'CGS'?

2.2 What is your understanding of the concept of 'cluster'?

### **3 IDENTIFYING THE MAIN CLUSTER AGENTS AND THEIR ROLES**

- 3.1 Vision for the area
  - 3.1.1 What is your vision for the area in terms of your cluster/sector?
  - 3.1.2 Has your 'vision' for the area changed since the involvement in the CGS?
  - 3.1.3 What about skills and business support needs? What are your priorities for your business and the cluster/sector?
- 3.2 Involvement on the CGS board
  - 3.2.1 How have you been selected for involvement on the CGS?
  - 3.2.2 Why have you joined the CGS?
  - 3.2.3 Have you been involved in CG board meetings? How often do you attend to meetings?
  - 3.2.4 Has your involvement in the CGS changed since the beginning? (more active, less active, different role etc) and why?

#### 4 RELATIONSHIPS BETWEEN AGENTS

- 4.1 What you learnt so far in terms of cooperation with other businesses and public sector agencies?
- 4.2 Relationship with the public sector
  - 4.2.1 What public agencies do you interact more closely with?
  - 4.2.2 Has the number and/or frequency of interaction changed since inception? (i.e. from formal meetings to intensive forms of cooperation?)
  - 4.2.3 Have you changed your relationship with public sector players? (from formal to informal?)
- 4.3 Who are the key players on the CGS board?
- 4.4 Relationships between private sector companies
  - 4.4.1 How often do you meet with other businesses in the cluster? Do you do that only formally (e.g. CGS meetings) or also informally (e.g. informal social contacts, leisure etc)?
  - 4.4.2 How have you balanced your 'vision' for the area with that of other businesses involved in the CGS?
  - 4.4.3 Has the interaction with other agents (private and public) led to key changes in the running of your business?
  - 4.4.4 Under what circumstances would you be willing to cooperate with other businesses? Why does it not take place more often?
- 4.5 Relationship with delivery organisations
  - 4.5.1 What are your contacts with delivery organisations?
  - 4.5.2 Have you had a successful relationship with them?



## 5 POLICY IMPLEMENTATION

- 5.1 Have you modified your opinion about the role and the work of public sector agencies?
- 5.2 Under what conditions, if any, would you be willing to invest financial resources for the running and management of CG projects?
- 5.3 Have the priorities and/or objectives of your business changed as a result of the CGS involvement?
- 5.4 Have you contributed to the CG with your personal resources, advice or others?

## 6 FINANCIAL SITUATION

6.1 Turnover in the last financial year  
less than £500,000  
between £500,000 and £1m  
between £1m and £5m  
between £5m and £10m  
more than £10m

6.2 What proportion of your workforce is male

6.3 What proportion is part-time

6.4 What proportion was previously unemployed (if possible)

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